

SUPPLEMENT DATED JULY 24, 2018

to

OFFICIAL STATEMENT DATED JULY 18, 2018

relating to

\$151,435,000

**UNIVERSITY OF COLORADO HOSPITAL AUTHORITY
REFUNDING REVENUE BONDS**

\$76,170,000 SERIES 2018B

\$75,265,000 SERIES 2018C

The Official Statement dated July 18, 2018 (the “Official Statement”), relating to the offering of the above-captioned Bonds, is hereby amended and supplemented by the correction of the following information on pages 6 and 8 of the Official Statement:

The Remarketing Agent for the Bonds is TD Securities (USA) LLC.

UNIVERSITY OF COLORADO HOSPITAL
AUTHORITY

**NEW ISSUES
BOOK-ENTRY ONLY**

RATINGS:
(See "RATINGS" herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, under existing laws of the State of Colorado, the Bonds, and the income therefrom, are free from taxation by the State of Colorado. See "TAX MATTERS" herein.

\$151,435,000
UNIVERSITY OF COLORADO HOSPITAL AUTHORITY
REFUNDING REVENUE BONDS
\$76,170,000 SERIES 2018B
\$75,265,000 SERIES 2018C



Dated: Date of Issuance
Price: 100%

Due: November 15,
as shown on inside cover

The University of Colorado Hospital Authority (the "Authority") will issue each Series of the above-captioned bonds (individually, the "Series 2018B Bonds" and the "Series 2018C Bonds" and collectively, the "Bonds") in the principal amounts shown above and with the maturity dates shown on the inside cover. Each Series of the Bonds will be issued pursuant to the terms of a separate Bond Indenture of Trust, each dated as of July 1, 2018 (each a "Bond Indenture"), and each between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the "Bond Trustee").

Each Series of the Bonds will bear interest at Weekly Interest Rates. The initial Weekly Interest Rate for each Series of the Bonds for the period commencing on the date of initial delivery of such Series to and including the following Tuesday (July 31, 2018) will be determined by the Underwriter. Thereafter, the Weekly Interest Rate with respect to each Series of the Bonds will be determined by the Remarketing Agent as described herein. At no time will any Bonds (other than Liquidity Facility Bonds) bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest permitted by applicable law. Interest on the Bonds during a Weekly Interest Rate Period is payable on the first Wednesday of each calendar month, or, if such first Wednesday is not a Business Day (defined herein), the next succeeding Business Day, commencing August 1, 2018.

Each Series of the Bonds is subject to optional, extraordinary optional and mandatory sinking fund redemption prior to its stated maturity date and is also subject to optional tender for purchase on seven days' notice and mandatory tender for purchase as described herein. Purchasers of beneficial interests in each Series of the Bonds during a Weekly Interest Rate Period will be in denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000. So long as the Bonds bear interest at the Weekly Interest Rate, funds for the payment of the purchase price of the Bonds of each Series upon optional or mandatory tender thereof are required, to the extent remarketing proceeds are insufficient or not available therefor, to be made available, except upon the occurrence of certain events of default and upon the satisfaction of certain conditions described therein, through a separate Standby Bond Purchase Agreement (each referred to herein as an "Initial Liquidity Facility" and collectively, the "Initial Liquidity Facilities" and each such document may be referred to herein as the "2018B Initial Liquidity Facility" with respect to the Series 2018B Bonds and as the "2018C Initial Liquidity Facility" with respect to the Series 2018C Bonds) with respect to each Series, provided by TD Bank, N.A. (the "Initial Liquidity Provider" or the "Bank"), as more fully described herein. Each Initial Liquidity Facility will have an initial termination date of July 26, 2023, unless otherwise extended or terminated. **Under certain conditions, which may affect the remarketing of the Bonds, the obligations of the Initial Liquidity Provider to provide amounts for the purchase of the Bonds of a Series tendered by the Holder thereof may be immediately terminated or suspended without notice as more fully described herein. In each such event, sufficient funds may not be available to purchase such Bonds.**



This Official Statement describes terms and provisions applicable to each Series of the Bonds only while that Series is in a Weekly Interest Rate Period. In the event of a conversion to another Interest Rate Period for a Series, the Bonds of that Series are subject to mandatory tender on the conversion date (a Purchase Date as further defined herein), and potential purchasers of such Bonds will be provided with separate offering materials containing descriptions of the terms applicable to such Bonds in the Interest Rate Period to which such Bonds are being converted.

The Bonds of each Series are payable solely from the Trust Estate, as defined in the respective Bond Indenture, which consists primarily of payments made by the Obligated Group (which, upon the issuance of the Bonds, consists of the Authority, University of Colorado Health (the "Obligated Group Representative"), Poudre Valley Health Care, Inc., Medical Center of the Rockies, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center and Poudre Valley Medical Group, LLC) pursuant to Master Note Obligation, Series 2018-39B-1 in the case of the Series 2018B Bonds and Master Note Obligation, Series 2018-39C-1 in the case of the Series 2018C Bonds, issued under the Master Trust Indenture dated as of November 1, 1997, as supplemented and amended (the "Master Indenture").

The Bonds will be issued as fully registered bonds without coupons and will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the Bonds. Purchases of beneficial ownership interests will be made in book-entry-only form. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial interest in the Bonds. So long as Cede & Co., as nominee of DTC, is the Holder, references herein to Holders, bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds do not constitute a debt or liability or charge against the general credit or taxing power of the State of Colorado or the Regents of the University of Colorado. The Authority is not authorized to levy or collect any taxes or assessments to pay the Bonds or for any other purpose.

A DISCUSSION OF CERTAIN RISKS INVOLVED IN THE PURCHASE OF AND INVESTMENT IN THE BONDS IS CONTAINED HEREIN UNDER THE CAPTIONS "BONDHOLDERS' RISKS," "REGULATION OF THE HEALTH CARE INDUSTRY" AND "TAXING AND SPENDING LIMITS."

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of the legality of the Bonds by Kutak Rock LLP, Bond Counsel, and other conditions. Kutak Rock LLP has also been retained to advise the Authority concerning, and has assisted in, the preparation of this Official Statement. Certain legal matters will be passed upon for the University of Colorado Health and the Authority by Gary Reiff, Esq., Chief Legal Officer of University of Colorado Health and by Kutak Rock LLP, as special counsel to UCHealth, for the Underwriter by Orrick, Herrington & Sutcliffe LLP, and for the Initial Liquidity Provider by Chapman and Cutler LLP. The Bonds are expected to be available for delivery through DTC on or about July 26, 2018.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Citigroup

The date of this Official Statement is July 18, 2018

\$76,170,000
UNIVERSITY OF COLORADO HOSPITAL AUTHORITY
REFUNDING REVENUE BONDS
SERIES 2018B

\$76,170,000 Term Bond due November 15, 2035, Priced @ 100%, CUSIP 914183 BJ6^{1,2}

\$75,265,000
UNIVERSITY OF COLORADO HOSPITAL AUTHORITY
REFUNDING REVENUE BONDS
SERIES 2018C

\$75,265,000 Term Bond due November 15, 2039, Priced @ 100%, CUSIP 914183 BL1^{1,2}

¹ The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.

² CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not service in any way as a substitute for CGS database.

No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, any Member of the Obligated Group or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. This Official Statement is submitted in connection with the initial public offering of the Bonds. Neither the delivery of this Official Statement nor the sale of the Bonds implies that information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Obligated Group and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bank has no responsibility for the form and content of this Official Statement, other than solely with respect to the information describing itself set forth in Appendix H under the heading "Certain Information Concerning The Bank," and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself set forth in Appendix H under the heading "Certain Information Concerning The Bank."

THE BONDS AND THE 2018 MASTER NOTE OBLIGATIONS (DEFINED HEREIN) HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE MASTER INDENTURE (DEFINED HEREIN) AND THE BOND INDENTURES HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE BONDS. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED IN THIS OFFICIAL STATEMENT, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACTS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS OFFICIAL STATEMENT ARE FOR CONVENIENCE ONLY AND IN NO WAY DEFINE, LIMIT OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION, OF ANY PROVISIONS OR SECTIONS IN THIS OFFICIAL STATEMENT. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“ORIGINAL BOUND FORMAT”) OR IN ELECTRONIC FORMAT ON THE WEBSITE www.MuniOS.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

In accordance with disclosure requirements, this Official Statement may be amended or supplemented to indicate material changes.

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OFFICIAL STATEMENT

\$151,435,000
UNIVERSITY OF COLORADO HOSPITAL AUTHORITY
REFUNDING REVENUE BONDS
\$76,170,000 SERIES 2018B
\$75,265,000 SERIES 2018C

INTRODUCTORY STATEMENT

THE FOLLOWING INTRODUCTORY STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. FOR THE DEFINITIONS OF CERTAIN CAPITALIZED TERMS USED IN THIS INTRODUCTORY STATEMENT AND IN THIS OFFICIAL STATEMENT AND NOT OTHERWISE DEFINED, SEE APPENDIX C.

Purpose of Official Statement

This Official Statement, including the cover page and the Appendices, is furnished in connection with the issuance by the University of Colorado Hospital Authority (the "Authority") of \$76,170,000 principal amount of its Refunding Revenue Bonds, Series 2018B (the "Series 2018B Bonds") and of \$75,265,000 principal amount of its Refunding Revenue Bonds, Series 2018C (the "Series 2018C Bonds" and, together with the Series 2018B Bonds, the "Bonds"). Each Series of the Bonds will be issued pursuant to a separate Bond Indenture of Trust, each dated as of July 1, 2018 (each a "Bond Indenture"), and each between the Authority and Wells Fargo Bank, National Association, as bond trustee (in such capacity, the "Bond Trustee"). The Bonds are payable solely from the Trust Estate, which, under each Bond Indenture, consists primarily of payments made by the Obligated Group (as defined below) pursuant to Master Note Obligation, Series 2018-39B-1 in the case of the Bond Indenture securing the Series 2018B Bonds (the "2018B-1 Master Note Obligation") and Master Note Obligation, Series 2018-39C-1 in the case of the Bond Indenture securing the Series 2018C Bonds (the "2018C-1 Master Note Obligation" and together with the 2018B-1 Master Note Obligation, the "2018 Master Note Obligations"), issued under the Master Trust Indenture dated as of November 1, 1997, as supplemented and amended (the "Master Indenture"), between the Members of the Obligated Group, as hereinafter defined, and Wells Fargo Bank, National Association, as master trustee (in such capacity, the "Master Trustee"), including, respectively, as supplemented and amended by Supplemental Master Indenture No. 39B-1 ("Supplemental Master Indenture No. 39B-1") and Supplemental Master Indenture No. 39C-1 ("Supplemental Master Indenture No. 39C-1"), each dated as of July 1, 2018, and each as hereinafter further described. See Appendix C for a summary of certain provisions of the Bond Indentures and the Master Indenture.

The descriptions of the Bonds, the Bond Indentures, the 2018 Master Note Obligations and the Initial Liquidity Facilities (as hereinafter defined) and the other security features for the Bonds are applicable to the Series 2018B Bonds and the Series 2018C Bonds, and the Bond Indenture and 2018 Master Note Obligation securing each Series of Bonds and the Initial Liquidity Facility with respect to each Series of Bonds, unless otherwise noted herein. However, each Series of Bonds is separately secured by its respective Bond Indenture and 2018 Master Note Obligation and liquidity support with respect to each Series of Bonds is provided by its respective Initial Liquidity Facility, and each such respective Bond Indenture, 2018 Master Note Obligation and Initial Liquidity Facility does not secure or provide liquidity support for the other Series of Bonds.

The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive and reference is made to each document for the complete details of all terms and conditions. Copies of the Bond Indenture and the Master Indenture and certain other documents described herein are on file at the offices of the Underwriter and, following delivery of the Bonds, will be on file at the office of the Bond Trustee. All statements herein are qualified in their entirety by reference to each document. The attached Appendices A through G inclusive are integral parts of this Official Statement and should be read in their entirety.

The System and the Obligated Group

The System. The University of Colorado Health system is a nonprofit health system (the “System”) formed in 2012 by the Authority and Poudre Valley Health System (the “PVH System”). The System combines an academic medical center with community hospitals for a network of care that stretches from the Colorado/Wyoming border to south/central Colorado and currently includes ten acute care hospitals which have a combined 1,879 licensed beds. The System serves patients throughout the State of Colorado (the “State”) and in the larger Rocky Mountain region. The System is closely affiliated with the University of Colorado and is dedicated to advancing the teaching, research and clinical care missions of the University of Colorado.

The System was created pursuant to a Joint Operating Agreement (the “Joint Operating Agreement”) between the Authority and Poudre Valley Health Care, Inc. (“Poudre Valley”) and is governed by University of Colorado Health (“UCHealth”), a Colorado nonprofit membership corporation, formed as a joint operating company to carry out the provisions of the Joint Operating Agreement.

The Authority is a body corporate and political subdivision of the State created to own and operate the facilities constituting the University of Colorado Hospital (“University Hospital”). University Hospital is the teaching hospital of the University of Colorado, has 670 licensed beds and is the only academic medical center in the State of Colorado. The PVH System, which includes Poudre Valley and its affiliated entities, is a nonprofit regional integrated healthcare delivery system, which operates two acute care hospitals which have a combined 408 licensed beds, and is headquartered in Fort Collins, Colorado.

On October 1, 2012, Poudre Valley entered into a long-term lease (the “MHS Lease”) with the City of Colorado Springs, Colorado (the “City”) to assume operation of Memorial Health System (“MHS”), a healthcare system owned by the City that includes two acute care hospitals and has a combined 671 licensed beds. The MHS Lease was assigned by Poudre Valley to UCH-MHS, a Colorado nonprofit corporation formed by the Authority for the purposes of serving as lessee under the MHS Lease and fulfilling the System’s obligations with respect to governance of MHS.

UCHealth management divides the System’s operations into three regions: the North Region, the Central (Metropolitan Denver) Region and the South Region.

See Appendix A for information relating to the System and its facilities and operations.

The Obligated Group. Prior to July 1, 2012, the Authority was the sole Member of the Obligated Group (the “Obligated Group”) under the Master Indenture.

On July 1, 2012, Poudre Valley and MCR became Members of the Obligated Group under the Master Indenture, and the Authority became a member of an obligated group (the “PVH Obligated Group”) under a then existing master indenture (the “PVH Master Indenture”). In connection with becoming Members of the Obligated Group, Poudre Valley and MCR pledged their revenues to the

Master Trustee as security for the Obligations issued under the Master Indenture and, in connection with becoming a Member of the PVH Obligated Group, the Authority pledged its revenues to the PVH Master Trustee as security for the Obligations issued under the PVH Master Indenture. The parties were required to comply with the provisions of both the Master Indenture and the PVH Master Indenture.

Upon the issuance of the Bonds and the Series 2018A Bonds (as hereinafter defined) being issued simultaneously therewith, the Refunded Bonds (as hereinafter defined) which were originally secured when issued solely under the PVH Master Indenture and later were secured under the Master Indenture as well, will be defeased and no longer outstanding, and the PVH Master Indenture will be discharged and no longer of any further force and effect. Accordingly, upon the issuance of the Bonds and the Series 2018A Bonds, only the Master Indenture (and not the PVH Master Indenture) will remain in effect and only the Master Indenture will provide security for the Bonds (and the Series 2018A Bonds and all other obligations heretofore issued which were secured by Obligations issued under the Master Indenture).

UCHealth and UCH-MHS became Members of the Obligated Group in 2013 and 2014, respectively, upon receipt of letters from the Internal Revenue Service determining the organizations to be organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. In 2018, Longs Peak Hospital (“Longs Peak”), Yampa Valley Medical Center (“Yampa Valley”) and Poudre Valley Medical Group, LLC (“PVMG”) also became Members of the Obligated Group. Accordingly, the current Members of the Obligated Group under the Master Indenture (collectively, with any other parties becoming a member, the “Members of the Obligated Group”) are the Authority, Poudre, MCR, UCH-MHS, Longs Peak, Yampa and PVMG, all of which (other than the Authority which is a body corporate and political subdivision of the State of Colorado) are organizations described in Section 501(c)(3) of the Code. The revenues derived from all of the facilities owned or operated by the Members of the Obligated Group are pledged as security for Obligations issued under the Master Indenture, including amounts received by the Members of the Obligated Group from leases of their facilities.

UCHealth has been appointed as the Obligated Group Agent under the Master Indenture and in such capacity is referred to herein as the “Obligated Group Representative.”

See Appendix A for information relating to the System and the Members of the Obligated Group, and see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Purpose of the Bonds

The net proceeds of the Bonds are expected to be used by the Authority, along with the proceeds of the Series 2018A Bonds being issued simultaneously with the Bonds, and other available moneys (i) to refund, on a current refunding basis, all of the outstanding principal amount of the Colorado Health Facilities Authority Hospital Revenue Bonds (Poudre Valley Health Care, Inc. and Medical Center of the Rockies), Series 2005A, Series 2005B and Series 2005C (the “Refunded Bonds”) and (ii) to pay certain expenses incurred in connection with the issuance of the Bonds. See “USE OF BOND PROCEEDS” herein.

Series 2018A Bonds Being Issued Simultaneously with the Bonds

Concurrently with the issuance of the Bonds, the Authority is also issuing \$45,915,000 principal amount of its Refunding Revenue Bonds, Series 2018A (the “Series 2018A Bonds”). ***The issuance of the Bonds is contingent upon the issuance of the Series 2018A Bonds, and vice versa.***

It is expected that the Series 2018A Bonds will be structured initially as variable rate debt bearing interest at a weekly adjustable rate and subject to optional and mandatory tender, similar to the structure for the Bonds. However, the Series 2018A Bonds will not be supported by any liquidity or credit facility, but rather by a self-liquidity arrangement. The Series 2018A Bonds will be secured by a separate Obligation issued under the Master Indenture and the Series 2018A Bonds will be issued pursuant to a bond indenture separate and apart from either of the respective Bond Indentures pursuant to which the Bonds are being issued.

The Series 2018A Bonds are not being offered pursuant to this Official Statement.

Security for the Bonds

Each Series of the Bonds is issued pursuant to and secured by a separate Bond Indenture. Under each of the Bond Indentures, the Authority is obligated, among other things, to make payments to the Bond Trustee in such amounts and at such times as will be sufficient to pay when due the principal of and interest on the related Series of Bonds (but solely from the Trust Estate pledged thereto in the related Bond Indenture). Pursuant to each Bond Indenture, the Trust Estate consists of (a) all right, title and interest of the Authority in the 2018B-1 Master Note Obligation in the case of the Bond Indenture for the Series 2018B Bonds and the 2018C-1 Master Note Obligation in the case of the Series 2018C Bonds, issued under the Master Indenture, and payments made with respect thereto (other than sums paid for deposit in the Rebate Funds created under the respective Bond Indentures), and (b) all right, title and interest of the Authority in and to all moneys and securities held from time to time by the Bond Trustee in the Funds created by each Bond Indenture (other than the Rebate Fund), and notwithstanding the foregoing or any other provision of such Bond Indenture to the contrary: (i) moneys deposited with or paid to the Bond Trustee for the redemption of the related Series of Bonds, notice of redemption of which has been duly given, shall be used solely therefor, (ii) moneys held in the Bond Purchase Fund established pursuant to such Bond Indenture, which moneys shall be held in trust by the Tender Agent, as agent for the Bond Trustee, shall be used solely to pay the Purchase Price of tendered Bonds of the applicable Series and otherwise as provided therein and (iii) moneys segregated or deposited and held in trust for the payment of principal, premium, if any, and interest becoming due under such Bond Indenture on or after the due date shall be used solely therefor, which in each case shall be solely for the benefit of the Persons entitled to such principal, premium, Purchase Price or interest.

Neither Bond Indenture creates a reserve fund.

Future Members of the Obligated Group will be jointly and severally liable for the payment of the 2018 Master Note Obligations and other Obligations heretofore or hereafter issued pursuant to the Master Indenture (see “THE MASTER INDENTURE—Payment of Amounts Due Under Any Obligation” and “—Entrance Into the Obligated Group” in Appendix C). It is expected that additional Members of the Obligated Group may be added in the near future as described under “UCHEALTH AND THE OBLIGATED GROUP—The Obligated Group” in Appendix A.

As security for the 2018B-1 Master Note Obligation and the 2018C-1 Master Note Obligation, and all other Obligations issued heretofore and hereafter from time to time, each Member of the Obligated Group has granted and all future Members of the Obligated Group will grant to the Master Trustee a pledge and assignment of their respective Gross Revenues, subject to Permitted Encumbrances, each as defined in Appendix C. Unless an event of default under the Master Indenture has occurred and is continuing, such pledge and assignment is subject to the rights of the Obligated Group (and any future Members) to use such Gross Revenues for operation and maintenance expenses and any other lawful purposes. The Obligations issued under the Master Indenture are not secured by mortgages. The Master

Indenture also contains financial covenants. See “THE MASTER INDENTURE” in Appendix C and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds shall not constitute or become an indebtedness, debt, liability or charge against the general credit or taxing power of the State, the Regents, or of any other political subdivision of the State other than the Authority (but only to the extent provided in the Bond Indentures) and neither the State, the Regents, nor any other political subdivision of the State except the Authority to the extent provided in the Bond Indentures shall be liable thereon; nor shall the Bonds constitute the giving, pledging or loaning of the faith and credit of the State, the Regents, or any other political subdivision of the State but shall be payable solely from the funds pledged therefor as part of the Trust Estate in the related Bond Indenture. The issuance of the Bonds shall not, directly or indirectly or contingently, obligate the State, the Regents, or any other political subdivision of the State, nor empower the Authority to levy or collect any form of taxes or assessments therefor or to create any indebtedness payable out of taxes or assessments or make any appropriation for their payment and such appropriation or levy is prohibited.

The Initial Liquidity Facilities

So long as the Bonds of a Series bear interest at the Weekly Interest Rate, payment of the purchase price of such Bonds upon optional or mandatory tender thereof is to be made first from the proceeds of remarketing of the tendered Bonds and, to the extent remarketing proceeds are insufficient or not available therefor, from amounts made available, upon satisfaction of certain conditions described therein, under a separate Standby Bond Purchase Agreement for each Series of Bonds dated as of July 1, 2018 (each referred to herein as an “Initial Liquidity Facility” and collectively, the “Initial Liquidity Facilities” and each such document may be referred to herein as the “2018B Initial Liquidity Facility” with respect to the Series 2018B Bonds and as the “2018C Initial Liquidity Facility” with respect to the Series 2018C Bonds), each among UCHHealth, as Obligated Group Agent, on behalf of itself and the Other Members of the Obligated Group, Wells Fargo Bank, National Association, acting as bond trustee and tender agent for the Bonds, and TD Bank, N.A. (the “Initial Liquidity Facility Provider” or the “Bank”). Each Initial Liquidity Facility will have an initial expiration date of July 26, 2023, unless otherwise extended or terminated, and is subject to earlier termination or suspension upon the occurrence of certain events of default as described in the Initial Liquidity Facility. In certain cases described in this Official Statement, such termination or suspension may take place immediately and without notice to the Owners of the Bonds. Pursuant to each Bond Indenture, an Alternate Liquidity Facility may be provided by the Authority to provide for payment of the purchase price of a Series of the Bonds or the Authority may determine to provide a Self-Liquidity Arrangement with respect thereto. In either case, the Bonds of such Series will be subject to mandatory tender prior to the termination of the Initial Liquidity Facility or other Alternate Liquidity Facility.

UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN AND IN THE INITIAL LIQUIDITY FACILITIES, THE OBLIGATION OF THE INITIAL LIQUIDITY FACILITY PROVIDER TO PROVIDE AMOUNTS FOR THE PURCHASE OF THE BONDS OF THE APPLICABLE SERIES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE IMMEDIATELY AND AUTOMATICALLY TERMINATED OR SUSPENDED WITHOUT NOTICE. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE THE APPLICABLE BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER. THE INITIAL LIQUIDITY FACILITIES DO NOT GUARANTY THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS IN THE EVENT OF NONPAYMENT OF SUCH PRINCIPAL OF OR INTEREST ON THE BONDS. THE 2018B INITIAL LIQUIDITY FACILITY SUPPORTS THE SERIES 2018B BONDS ONLY AND DOES NOT PROVIDE LIQUIDITY SUPPORT FOR THE SERIES 2018C BONDS, AND THE 2018C

INITIAL LIQUIDITY FACILITY SUPPORTS THE SERIES 2018C BONDS ONLY AND DOES NOT PROVIDE LIQUIDITY SUPPORT FOR THE SERIES 2018B BONDS.

Financial Statements

Audited Basic Financial Statements of UCHealth as of June 30, 2017 and 2016 and for the years then ended, as well as unaudited balance sheets and statements of revenue, expenses and changes in net position as of and for the nine month periods ended March 31, 2018 and 2017, are included in Appendix B.

Continuing Disclosure

UCHealth, on behalf of the Obligated Group, has agreed to supply specified financial information with respect to the Obligated Group and notice of certain events as required by Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). See “CONTINUING DISCLOSURE” herein. Failure of UCHealth to provide such information is not an Event of Default under the Bond Indentures; however, such failure may materially and adversely affect any secondary market trading in the Bonds. See “BONDHOLDERS’ RISKS—Lack of Secondary Market for the Bonds” herein.

Bondholders’ Risks

The attention of each prospective purchaser of the Bonds is directed to the discussions appearing in this Official Statement under “BONDHOLDERS’ RISKS,” “REGULATION OF THE HEALTH CARE INDUSTRY” and “TAXING AND SPENDING LIMITS.”

Remarketing Agent

The Authority will appoint TD Bank, N.A., as initial remarketing agent for each Series of the Bonds. The Remarketing Agent may be removed or replaced at any time for either Series of the Bonds, subject to the terms and conditions of the related Bond Indenture.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Bond Indentures for a more detailed description of these provisions. The discussion herein is qualified by such reference. See also APPENDIX C.

This Official Statement describes terms and provisions applicable to each Series of the Bonds only while such Series is in a Weekly Interest Rate Period. In the event of a conversion to another Interest Rate Period, the Bonds are subject to mandatory tender on the conversion date (a Purchase Date as further defined herein), and potential purchasers of such Bonds for the new Interest Rate Period being converted to will be provided with separate offering materials containing descriptions of the terms applicable to such Bonds in the Interest Rate Period to which such Bonds are being converted.

The descriptions of the Bonds (as well as the Bond Indentures, the 2018 Master Note Obligations and the Initial Liquidity Facilities and the other security features for the Bonds) are applicable to the Series 2018B Bonds and the Series 2018C Bonds, and the Bond Indenture and 2018 Master Note Obligation securing each Series of Bonds and the Initial Liquidity Facility with respect to each Series of Bonds, unless otherwise noted herein. However, each Series of Bonds is

separately secured by its respective Bond Indenture and 2018 Master Note Obligation and liquidity support with respect to each Series of Bonds is provided by its respective Initial Liquidity Facility, and each such respective Bond Indenture, 2018 Master Note Obligation and Initial Liquidity Facility does not secure or provide liquidity support for the other Series of Bonds.

General

Each Series of the Bonds will be dated the date of delivery and will be issued in the principal amount and with the maturity date for such Series as shown on the inside cover of this Official Statement. Each Series of the Bonds will initially bear interest at a Weekly Interest Rate. At the election of the Obligated Group Representative, any Series of the Bonds may be converted, in whole, to a different Interest Rate Period as described herein. See “—Conversion of Interest Rate Periods” below. Each Series of the Bonds will be subject to mandatory tender for purchase on the first day of a subsequent Interest Rate Period with respect to such Series as described herein. See “—Purchase of Bonds” below.

Each Series of Bonds will be in denominations of \$100,000 and any integral multiple of \$5,000 in excess of \$100,000.

Interest on a Series of the Bonds shall be computed on the basis of a 365- or 366-day year, as appropriate, and the actual number of days elapsed.

At no time will any Bond bear interest at an interest rate that is in excess of the lesser of 12% per annum (except in the case of Liquidity Facility Bonds) and the maximum rate of interest on the applicable Series of the Bonds permitted by applicable law.

The Depository Trust Company, New York, New York (“DTC”), will act as the initial securities depository for the Bonds, which will be issued initially pursuant to a book-entry only system. See the information herein under the caption “BOOK-ENTRY ONLY SYSTEM.” Under the Bond Indentures, the Authority may appoint a successor securities depository to DTC for the Bonds. The Holders of the Bonds have no right to a book-entry only system for the Bonds. The information under the caption “THE BONDS” is subject in its entirety to the provisions described below under the caption “BOOK-ENTRY ONLY SYSTEM” while the Bonds of a Series are in the book-entry only system.

Payment of Principal and Interest; Redemption Price

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Individual purchases of beneficial interests in a Series of the Bonds will be made in book-entry form only, in authorized denominations as described under the caption “—General” above. Purchasers of such interests will not receive certificates representing their interests in the Bonds. For a description of matters pertaining to transfers and exchanges while in the book-entry only system, see “BOOK-ENTRY ONLY SYSTEM” herein.

So long as Cede & Co. is the registered owner of the Bonds, the Bond Trustee will pay principal and Redemption Price of and interest on such Bonds to DTC, which will remit principal, redemption and interest payments to its participants for disbursement to the beneficial owners of such Bonds, as described herein under the caption “BOOK-ENTRY ONLY SYSTEM.”

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Principal Office of the Bond Trustee.

Interest on the Bonds of each Series shall be payable on each Interest Payment Date for such Series by the Bond Trustee during any Weekly Interest Rate Period by check mailed on the date on which such interest is due to the Holders of such Bonds at the close of business on the Record Date with respect to such Interest Payment Date at their addresses appearing on the bond register maintained by the Bond Trustee. The Record Date for any Interest Payment Date for the Bonds during a Weekly Interest Rate Period is the Business Day immediately preceding the related Interest Payment Date.

In the case of any Holder of Bonds of a Series in an aggregate principal amount in excess of \$1,000,000 as shown on the registration books of the Bond Trustee who, prior to two Business Days preceding the Record Date for such Bonds next preceding any Interest Payment Date for such Bonds, shall have provided the Bond Trustee with written wire transfer instructions, interest payable on such Bonds shall be paid in accordance with the wire transfer instructions provided by the Holder of such Bond; provided, however, that while Bonds of a Series are registered in the name of Cede & Co, as nominee of DTC, interest shall be paid by wire transfer to DTC without further direction.

If available funds are insufficient on any Interest Payment Date to pay the interest then due on the Bonds, interest shall continue to accrue thereon but shall cease to be payable to the Holder on such Record Date. If sufficient funds for the payment of such overdue interest thereafter become available, the Bond Trustee shall (A) establish a “special interest payment date” for the payment of the overdue interest and a Special Record Date (which shall be a Business Day) for determining the Bondholders entitled to such payment and (B) mail notices by first class mail of such dates as soon as practicable. Notice of each such date so established shall be mailed to each Bondholder at least ten (10) days prior to the Special Record Date but not more than thirty (30) days prior to the special interest payment date. The overdue interest shall be paid on the special interest payment date to the Holders, as shown on the registration books of the Bond Trustee as of the close of business on the Special Record Date.

Interest Payment Dates

While in a Weekly Interest Rate Period, interest on the Bonds will be payable monthly in arrears on the first Wednesday of each calendar month, or the next succeeding Business Day if any such Wednesday is not a Business Day, commencing on August 1, 2018, for the period commencing on the first Wednesday of the preceding calendar month, whether or not a Business Day (however, with respect to the first interest payment date, for the period commencing on the date of issuance of the Bonds) and ending on and including the Tuesday (whether or not a Business Day) immediately preceding such Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). In addition, for each Interest Rate Period, interest shall be payable on the day next succeeding the last day thereof.

Determination of the Weekly Interest Rate

The initial Weekly Interest Rate for each Series of the Bonds for the period commencing on the date of initial delivery of such Series to and including the following Tuesday (July 31, 2018) will be determined by the Underwriter prior to the date of issuance. Concurrently with the issuance of the Bonds, the Authority will enter into a separate Remarketing Agreement for each Series of the Bonds with TD Bank, N.A., as the remarketing agent for the Bonds (the “Remarketing Agent”), under which the Remarketing Agent will agree to determine the Weekly Interest Rates on the Bonds and to use its best efforts to remarket Bonds which are tendered by the holders thereof pursuant to the optional and mandatory tender provisions described below.

During each Weekly Interest Rate Period with respect to a Series of the Bonds, the Bonds of that Series will bear interest at the Weekly Interest Rate, which will be determined by the Remarketing Agent (other than the initial Weekly Interest Rate which is determined as described above) by no later than 5:00

p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. Other than with respect to the initial period commencing on the date of initial delivery of each Series to and including the following Tuesday, each Weekly Interest Rate will apply to the period commencing on Wednesday (whether or not a Business Day) and ending on the next succeeding Tuesday (whether or not a Business Day), unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on Wednesday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period. The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Bonds of such Series, would enable the Remarketing Agent to sell such Bonds on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week, then the Weekly Interest Rate for such week will be the same as the Weekly Interest Rate for the immediately preceding week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding week was not determined by the Remarketing Agent (other than in connection with a conversion of the Interest Rate Period of a Series of the Bonds), or in the event that the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the interest rate for such week will be equal to the Maximum Interest Rate.

Purchase of Bonds

Tenders of Bonds are Subject to DTC Procedures. As long as the book-entry only system is in effect with respect to any Series of Bonds, all tenders for purchase and deliveries of Bonds tendered for purchase or subject to mandatory tender under the provisions of the related Bond Indenture shall be made pursuant to DTC's procedures as in effect from time to time, and none of the Authority, the Bond Trustee, the Obligated Group Representative or the Remarketing Agent shall have any responsibility for or liability with respect to the implementation of these procedures. For a description of the tender procedures through DTC, see "BOOK-ENTRY ONLY SYSTEM."

A Purchase Date is the date on which a Series of Bonds is to be purchased as described under this caption "Purchase of Bonds."

Optional Tender for Purchase. During any Weekly Interest Rate Period for a Series of Bonds, any Eligible Bond of such Series must be purchased from its Bondholder at the option of the Bondholder on any Business Day at a Purchase Price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date in which case at a Purchase Price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent and the Remarketing Agent at their respective Principal Offices for delivery of notices of an irrevocable written notice which states the name and Series designation of the Bond, the principal amount and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent and the Remarketing Agent. Any notice delivered to the Tender Agent after 5:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. For payment of such Purchase Price on the date specified in such notice, such Bond must be delivered, at or prior to 10:00 a.m., New York City time, on the date specified in such notice, to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Bondholder thereof or by the

Bondholder's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. Eligible Bonds of a Series are subject to mandatory tender for purchase on the first day of each Interest Rate Period for such Series (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event which resulted in the interest rate on such Bonds not being converted), at a purchase price equal to the principal amount thereof plus accrued interest to the related Purchase Date, without premium. The Purchase Price of any Bond so purchased shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange at or prior to 10:00 a.m., New York City time, on the Purchase Date.

Mandatory Tender Upon Delivery of an Alternate Liquidity Facility or Upon Conversion to a Self-Liquidity Arrangement. Upon the issuance of the Bonds, the Initial Liquidity Facility for each Series of Bonds will be in effect. If an Initial Liquidity Facility or any other Liquidity Facility for a Series of Bonds is replaced with an Alternative Liquidity Facility or a Self-Liquidity Arrangement, then the Bonds of the applicable Series shall be subject to mandatory tender for purchase at the Purchase Price. Any purchase of Bonds as described in this paragraph shall occur on the effective date of the replacement of the related Initial Liquidity Facility or any other Liquidity by an Alternate Liquidity Facility delivered to the Tender Agent pursuant to the applicable Bond Indenture or the effective date of a Self-Liquidity Arrangement. In the case of any replacement of the related Initial Liquidity Facility or any other Liquidity Facility by an Alternate Liquidity Facility or a Self-Liquidity Arrangement, such Initial Liquidity Facility or such other Liquidity Facility will be drawn upon to pay the Purchase Price to the extent such Bonds are not remarketed, subject to the conditions to such draw contained in the Initial Liquidity Facility or other Liquidity Facility, and the Initial Liquidity Facility or such other Liquidity Facility shall not be terminated until after Bonds of such Series that are tendered for purchase on the Purchase Date have been purchased. "Self-Liquidity Arrangement" means the undertaking by the Authority (or the Obligated Group Representative on behalf of the Authority) of the obligation to purchase a Series of the Bonds tendered for purchase on the applicable Purchase Date whenever the related Purchase Price is due and payable as described herein.

If at any time (i) a Series of Bonds will cease to be subject to purchase pursuant to a Liquidity Facility or a Self-Liquidity Arrangement then in effect as a result of the termination, replacement or expiration of the term, as extended, of that Liquidity Facility or the replacement of a Self-Liquidity Arrangement with a Liquidity Facility, including but not limited to termination at the option of the Obligated Group Representative in accordance with the terms of such Liquidity Facility, or (ii) the Bond Trustee receives notice of the occurrence of a Mandatory Liquidity Tender under a Liquidity Facility, then the Bonds of the applicable Series shall be subject to mandatory tender for purchase at the Purchase Price. Any purchase of Bonds as described in this paragraph shall occur: (1) on the fifth Business Day preceding any such expiration or termination of such Liquidity Facility or Self-Liquidity Arrangement without replacement by an Alternate Liquidity Facility or Self-Liquidity Arrangement or (2) on the fifth Business Day following receipt by the Bond Trustee of notice from the Liquidity Facility Provider of a Mandatory Liquidity Tender, but in no event later than the second Business Day preceding any expiration of the Liquidity Facility, and (3) on the proposed effective date of the replacement of the Liquidity Facility where an Alternate Liquidity Facility is to be delivered to the Tender Agent or a Self-Liquidity Arrangement is to become effective. In the case of any replacement of an existing Liquidity Facility, the existing Liquidity Facility will be drawn upon to pay the Purchase Price, if necessary, rather than the replacement Alternate Liquidity Facility and the then-existing Liquidity Facility shall not be surrendered

or otherwise terminated by the Bond Trustee until after such drawing is honored. In the case of the termination of a Self-Liquidity Arrangement, the Authority and the Obligated Group will be obligated to pay the purchase price of the related Series of the Bonds not otherwise remarketed by the Remarketing Agent. No such mandatory tender will be effected upon the replacement of a Liquidity Facility in the case where the Liquidity Facility Provider is failing to honor conforming draws. The assignment of any Liquidity Facility which relieves the Liquidity Provider of its obligation to purchase the related Series of the Bonds will be considered a replacement for the purposes of this paragraph. The Purchase Price of any Bonds purchased as described in this paragraph and the preceding paragraph shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Bondholder thereof or by the Bondholder's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m., New York City time, on the Purchase Date.

Mandatory Tender at Direction of the Obligated Group Representative. Bonds of a Series are subject to mandatory tender for purchase on any Business Day designated by the Obligated Group Representative at the Purchase Price, payable in immediately available funds. Such Purchase Date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Bond Trustee of such designation. If sufficient remarketing proceeds are not available for the purchase of all Bonds of such Series on such mandatory Purchase Date, then the Obligated Group Representative's designation of such Purchase Date for the Bonds of such Series shall be deemed to be rescinded, such Bonds shall not be tendered or deemed tendered or required to be purchased on such date and no Event of Default shall occur pursuant to the related Bond Indenture. The Bond Trustee shall give notice of such rescission by Electronic Means to the Bondholders, with a copy to the Authority, the Obligated Group Representative, the Tender Agent and the Remarketing Agent as soon as practicable and in any event not later than the next succeeding Business Day. For payment of the Purchase Price on the Purchase Date, Bonds must be delivered at or prior to 10:00 a.m. on the Purchase Date. If delivered after that time, the Purchase Price shall be paid on the next succeeding Business Day. The Purchase Price shall be payable only upon surrender of such Bonds to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of a Series of Bonds on the first day of each Interest Rate Period, the Tender Agent shall give the mandatory tender notice as a part of the conversion notice given as described below under the caption "Conversion of Interest Rate Periods." The Bond Trustee is required to give such notice to the Holders of such Series not less than 10 days prior to the proposed tender date. While such Bonds are registered in the name of Cede & Co., such notice shall be given only to DTC, and not to any Beneficial Owner of the Bonds. In connection with any mandatory tender for purchase of a Series of Bonds upon delivery of a Liquidity Facility or an Alternate Liquidity Facility, the Bond Trustee shall give notice of a mandatory tender for purchase by first-class mail to the Holders of the Bonds of such Series, not less than three days prior to the Purchase Date. In connection with any mandatory tender for purchase of a Series of Bonds at the direction of the Obligated Group Representative, the Bond Trustee shall give notice of a mandatory tender for purchase by first-class mail to the Holders of the Bonds of such Series, with a copy to the Authority, the Obligated Group Representative, the Tender Agent and the Remarketing Agent not less than 10 days prior to the Purchase Date. Each such notice shall state: (1) the Purchase Price; (2) that the Purchase Price of any Bond so subject to mandatory tender for purchase shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or by the Holder's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust

company or member firm of the New York Stock Exchange; (3) that all Bonds so subject to mandatory tender for purchase shall be purchased on the mandatory tender date which shall be explicitly stated; and (4) that in the event that any Holder of a Bond so subject to mandatory tender for purchase shall not surrender such Bond to the Tender Agent for purchase on such mandatory tender date, and funds in the amount of the Purchase Price of the undelivered bond are available for payment to the Holder thereof on the date and at the time specified, then such Bond shall be deemed to be an Undelivered Bond, and no interest shall accrue thereon on and after such mandatory tender date and the Holder thereof shall have no rights under the related Bond Indenture other than to receive payment of the Purchase Price thereof.

Irrevocable Notice Deemed to be Tender of Bond. The giving of an optional tender notice by a Holder of a Bond shall constitute the irrevocable tender for purchase of each such Bond with respect to which such notice shall have been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant Purchase Date.

Undelivered Bonds. If any Holder of a Bond who has given notice of its election to have its Bond purchased or any Holder of Bonds subject to mandatory tender for purchase fails to deliver such Bond to the Tender Agent at the place and on the date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond. If funds in the amount of the Purchase Price of the Undelivered Bond are available for payment to the Holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (i) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Bond Indenture; (ii) interest will no longer accrue on that Bond; and (iii) funds in the amount of the Purchase Price of that Undelivered Bond will be held by the Tender Agent uninvested for the benefit of the Holder thereof, to be paid on delivery (and proper endorsement) of that Undelivered Bond to the Tender Agent at its Principal Office.

Refusal to Accept Without Proper Instrument of Transfer. The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided; however, such refusal will not affect the validity of the purchase of such Bond as described in the Bond Indenture.

Payment of Purchase Price. For payment of the Purchase Price on the date specified in the applicable notice of tender, the affected Bond must be delivered, at or prior to 10:00 a.m., New York, New York time on the date specified for such tender in the applicable notice, to the Tender Agent at its principal office for delivery of the Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Remarketing of the Bonds. The Authority will enter into a separate Remarketing Agreement with the Remarketing Agent for each Series of Bonds, which shall govern the obligation of the Remarketing Agent to remarket such Bonds. The Remarketing Agent has agreed to use its best efforts to remarket each Series of the Bonds that have been tendered for purchase.

Liquidity for Payment of the Purchase Price

Funds for the purchase of Bonds of a Series on a Purchase Date will be provided, first, from the proceeds of the remarketing of such Series of Bonds and then, to the extent remarketing proceeds are insufficient to provide all funds required to purchase Bonds of such Series, from funds provided by the applicable Initial Liquidity Facility to the extent such an agreement is in effect and can then be drawn upon or otherwise by the Authority (or the Obligated Group Representative on behalf of the Authority).

The obligation to purchase Bonds of a Series on a Purchase Date is initially supported by the applicable Initial Liquidity Facility, although each Bond Indenture provides that the Authority (or the Obligated Group Representative on behalf of the Authority) may deliver an Alternate Liquidity Facility for such Series of the Bonds to the Tender Agent at any time or may institute a Self-Liquidity Arrangement.

Except as described under the caption “Purchase of Bonds—*Mandatory Tender at Direction of the Obligated Group Representative*” above, if sufficient funds are not available for the purchase of all Bonds of a Series tendered or deemed tendered and required to be purchased on a Purchase Date, the failure to pay the Purchase Price of all such tendered Bonds when due and payable will constitute an Event of Default under such Bond Indenture.

Conversion of Interest Rate Periods

The Obligated Group Representative may by written direction to the Bond Trustee elect to convert the Bonds of any Series to an alternate Interest Rate Period on any Business Day. Upon satisfaction of certain conditions on or prior to the effective date of such election, all of the applicable Bonds of the Series will be subject to the alternate Interest Rate Period. The written direction must specify (i) the proposed effective date of the conversion to any alternate Interest Rate Period and (ii) the date of delivery for such Bonds to be purchased on the effective date of the conversion to an alternate Interest Rate Period. In addition, the direction of the Obligated Group Representative shall be accompanied by a letter of Bond Counsel stating that it expects to deliver a Favorable Opinion of Bond Counsel as to such conversion on the effective date of the conversion to an alternate Interest Rate Period. A change to any such alternate Interest Rate Period may not take place unless a Favorable Opinion of Bond Counsel is delivered on the effective date of the alternate Interest Rate Period.

The Bond Trustee is required to give notice of conversion to any new Interest Rate Period for a Series of the Bonds to Holders of such Series not less than 10 days prior to the proposed effective date of the new Interest Rate Period. While such Bonds are registered in the name of Cede & Co., such notice shall be given only to DTC, and not to any Beneficial Owner of the Bonds. Such notice must state (i) that the interest rate on the Bonds of the applicable Series will be converted to a Weekly Interest Rate, a Long-Term Interest Rate, an Index Floating Interest Rate or Bond Interest Term Rates, as appropriate, unless Bond Counsel fails to deliver to the Bond Trustee a Favorable Opinion of Bond Counsel on the effective date of the conversion or any other condition precedent to the conversion has not been satisfied or the Obligated Group Representative rescinds its election to convert the Interest Rate Period with respect to the Series of Bonds; (ii) the proposed effective date of the alternate Interest Rate Period; and (iii) that the Bonds of that Series are subject to mandatory tender for purchase on the proposed effective date of the new Interest Rate Period and setting forth the applicable Purchase Price and place of delivery for purchase of such Bonds.

No conversion from one Interest Rate Period to another shall take effect unless each of the following conditions, to the extent applicable, shall have been satisfied: (i) the Bond Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such conversion; and (ii) in the case of any conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Bonds of the applicable Series on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Bonds of such Series at the Purchase Price (unless the Authority, in its sole discretion (or the Obligated Group Representative, on behalf of the Authority, in its sole discretion) elects to transfer to the Tender Agent the amount of such deficiency on or before the Conversion Date).

If notice of conversion has been mailed to the Holders of the Bonds of the applicable Series and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein described or if other conditions precedent to the conversion of such Series have not been satisfied, such Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion. In the event of a failed conversion of a Series of Bonds, such Bonds shall continue to bear interest at the Weekly Interest Rate commencing on the date that would have been the effective date of the conversion.

The Obligated Group Representative may, at or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such conversion in the Interest Rate Period for a Series of the Bonds, rescind its election to make such conversion in the Interest Rate Period. If the Obligated Group Representative rescinds its election to make such conversion, then the Interest Rate Period shall not be converted and the Bonds of such Series shall continue to bear interest at the Weekly Interest Rate as in effect immediately prior to such proposed conversion. The Bond Trustee shall give notice of the rescission by Electronic Means as soon as practical and in any event not later than the next succeeding Business Day to the Holders of Bonds of such Series. If notice of conversion has been delivered to the Holders of any Series of Bonds and the Obligated Group Representative rescinds its election to make such conversion, then the Bonds of such Series will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion.

If, at any time, the Interest Rate Period for a Series of Bonds is to be converted from one Interest Rate Period to another, the Interest Rate Period for all of the Bonds of that Series must be converted.

Certain Considerations Relating to the Bonds

The Remarketing Agent is Paid by the Obligated Group. The responsibilities of the Remarketing Agent include determining the Weekly Interest Rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Bond Indenture and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent has been appointed by the Authority and the Obligated Group Representative and is paid by the Obligated Group for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase the Bonds and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at, above or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Bond Indentures and the Remarketing Agreements, the Remarketing Agent is required to determine the applicable Weekly Interest Rate that, in its judgment, is the lowest interest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date. The Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Bonds of the applicable Series at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the interest rate determination or tender date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, the Remarketing Agent is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process provided in the related Bond Indenture.

Under Certain Circumstances, the Remarketing Agent May Be Removed, May Resign or May Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the related Bond Indenture and Remarketing Agreement.

Holders Do Not Have the Right to Own the Bonds For Any Specific Period of Time. As a result of a decision by a Holder of a Bond of a Series to optionally tender its Bond, an election by the Obligated Group Representative to convert the Bonds of a Series to another Interest Rate Period or a direction by the Authority or the Obligated Group Representative to optionally redeem or cause a mandatory tender of the Bonds in whole or in part, a Holder may be required to tender its Bond or its Bond may be optionally redeemed upon 30 days' notice or less. In determining whether to purchase any Bonds, investors should consider the risk to the duration and liquidity of their portfolios which may result from their actions or the actions of others.

There Would be No Third-Party Liquidity Support for the Bonds if a Self-Liquidity Arrangement were Instituted. The Authority has the option to replace an Initial Liquidity Facility or any Alternate Liquidity Facility with a Self-Liquidity Arrangement. If that were to be the case, the Bonds would be subject to mandatory tender and, to the extent not paid from remarketing proceeds, would be paid from a draw under such Initial Liquidity Facility or Alternative Liquidity Facility, as the case may be, subject to the conditions thereof. Thereafter, unless the Authority (or the Obligated Group Representative on behalf of the Authority) elects to terminate a Self-Liquidity Arrangement and provide a Liquidity Facility for a Series of the Bonds, if such Bonds become subject to optional or mandatory tender, only funds provided by other investors (e.g., upon a successful conversion, remarketing or refunding of such Bonds) or funds provided by the Obligated Group will be available to pay the purchase or redemption price of such Bonds.

Redemption

Optional Redemption. While any Weekly Interest Rate Period is in effect with respect to a Series of Bonds, the Bonds of such Series are subject to redemption prior to their stated maturity, at the option of the Authority (which option shall be exercised upon request of the Obligated Group Representative given to the Bond Trustee), in whole or in part, in such amounts as may be specified by Authority or the Obligated Group Representative on behalf of the Authority, on any date at a Redemption Price equal to the principal amount of such Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Extraordinary Optional Redemption. The Bonds may be redeemed in whole or in part (in such Series and amounts as may be specified by the Authority or the Obligated Group Representative on behalf of the Authority) by the Authority at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date, without premium, if any one or more of the following events has occurred, as evidenced in each case by the filing of a certificate of an Authorized Representative of the Obligated Group Representative with the Bond Trustee: (1) all or a portion of the Property in excess of 5% of the net book value of the Property shall have been damaged, taken or condemned (for this purpose, “Property” consists generally of all of the property of the Members of the Obligated Group) or (2) either the Regents or the United States of America government exercises a right of reversion or re-entry with respect to a substantial portion of the Property (for this purpose, “Property” consists of the Property of the Authority located at its Anschutz Campus). See “BONDHOLDERS’ RISKS—Reentry and Reversion Risks.”

Hazard insurance or condemnation proceeds received with respect to the facilities of any Member and deposited in the Special Redemption Account of the Redemption Fund may be used to effectuate such redemption described above.

Mandatory Sinking Fund Redemption. The Series 2018B Bonds are subject to redemption prior to their stated maturity date, in part, and are payable at maturity, from Sinking Fund Installments on November 15 of each year set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, or at maturity, in the amounts indicated below.

Sinking Fund Installment Date (November 15)	Sinking Fund Installments
2030	\$12,845,000
2031	15,595,000
2032	15,090,000
2033	15,615,000
2034	15,240,000
2035 (maturity)	1,785,000

The Series 2018C Bonds are subject to redemption prior to their stated maturity date, in part, and are payable at maturity, from Sinking Fund Installments on November 15 of each year set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, or at maturity, in the amounts indicated below.

**Sinking Fund Installment Date
(November 15)**

Sinking Fund Installments

2035	\$13,800,000
2036	15,530,000
2037	15,290,000
2038	15,400,000
2039 (maturity)	15,245,000

At the option of the Authority to be exercised by delivery of a written certificate to the Bond Trustee not less than 45 days next preceding any Sinking Fund Installment date, it may (a) deliver to the Bond Trustee for cancellation Bonds of a Series which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Authority or (b) specify a principal amount of such Bonds of a Series which prior to said date have been redeemed (other than through the operation of such sinking fund) and canceled by the Bond Trustee and not theretofore applied as a credit against any Sinking Fund Installment obligation for such Series of Bonds. Each Bond so delivered or previously redeemed shall be credited by the Bond Trustee at 100% of the principal amount thereof against the obligation of the Authority on such Sinking Fund Installment date and any excess shall be so credited against the next sinking fund installment obligations for the Bonds of such Series. In the event the Authority shall avail itself of the provisions of clause (a) of the first sentence of this paragraph, the certificate required by the first sentence of this paragraph shall be accompanied by the Bonds to be canceled. The Bond Trustee shall notify the Master Trustee of any such credits.

Selection of Bonds for Redemption. Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds of any Series or any portion thereof, the Bond Trustee shall select the Bonds of such Series to be redeemed, from all Bonds subject to redemption or such portion thereof not previously called for redemption, randomly in any manner which the Bond Trustee in its sole discretion shall deem appropriate and fair; provided, however, that any Bonds of such Series purchased with moneys obtained under a Liquidity Facility, if any, shall be redeemed prior to any other Bonds of such Series subject to redemption.

Notice of Redemption. Notice of redemption shall be mailed by the Bond Trustee, not less than ten days nor more than sixty days prior to the redemption date to the Holders of Bonds called for redemption. Such notice shall be given to the Holders of Bonds designated for redemption at their addresses appearing on the bond registration books maintained by the Bond Trustee.

Each notice of redemption shall state (i) the date of such notice, (ii) the full name and Series designation and date of issue of the Bonds, (iii) the redemption date, (iv) the Redemption Price, (v) the place or places of redemption, including the name and address of the Bond Trustee, (vi) the maturity, (vii) the CUSIP numbers, if any, (viii) whether such redemption is conditional and if so the conditions to such redemption and (ix) in the case of a Series of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Any redemption notice (other than with respect to a Sinking Fund Installment) for the Bonds may be rescinded by written notice given by the Authority (or the Obligated Group Representative on behalf of the Authority) to the Bond Trustee no later than five Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, to the same persons, as notice of redemption was given.

Failure by the Bond Trustee to mail any notice of redemption to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of such Bonds with respect to the Holders to whom such notice was properly mailed.

As long as the book-entry only system is in effect with respect to any Series of Bonds, any redemption notice shall be given to DTC, as Holder of such Bonds.

Effect of Redemption. Notice of redemption having been duly given as aforesaid and not rescinded, all conditions in such notice, if any, having been satisfied, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in the notice together with interest accrued thereon to the redemption date. Interest on the Bonds (or portions thereof) so called for redemption shall cease to accrue on and after the redemption date, such Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of the Bonds subject to redemption shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment. All Bonds which have been redeemed shall be canceled upon surrender thereof.

Bonds Owned by the Authority; Liquidity Provider Bonds. Bonds owned by or on behalf of the Authority will not be subject to redemption. At any time the Authority may surrender any Bonds owned by or on behalf of the Authority to the Trustee, which will promptly cancel such Bonds.

The Authority will redeem Liquidity Provider Bonds that are subject to mandatory redemption pursuant to the Liquidity Facility, at the time or times required by the Liquidity Facility at a Redemption Price of 100% of the principal amount of the Liquidity Provider Bonds to be redeemed plus accrued interest, if any, at the rate of interest provided in the Liquidity Facility to the Redemption Date. Notwithstanding anything to the contrary in this Official Statement or the Indenture, upon a redemption of less than all of the Bonds Outstanding of a Series, Liquidity Provider Bonds will be selected and redeemed prior to any other Bonds of such Series. The Liquidity Provider Bonds will be redeemed by the Trustee without notice from or direction by the Authority.

The Liquidity Facility Provider shall have no obligation with respect to the purchase of Bonds in lieu of redemption.

BOOK-ENTRY ONLY SYSTEM

DTC will initially act as securities depository for the Bonds. The ownership of one fully registered Bond for each Series, each in the principal amount of such Series, will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC. **FOR SO LONG AS THE BONDS ARE HELD BY DTC (OR A SUCCESSOR SECURITIES DEPOSITORY AS DESCRIBED BELOW), REFERENCES IN THE BOND INDENTURE AND IN THIS OFFICIAL STATEMENT TO THE HOLDERS, BONDHOLDERS, REGISTERED OWNERS OR OWNERS OF THE BONDS WILL MEAN THE NOMINEE OF SUCH SECURITIES DEPOSITORY AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.**

For so long as the Bonds are held in the book-entry only system of the securities depository, the Authority and the Bond Trustee may treat and consider DTC (or its nominee) and any successor securities depository as, and deem DTC and any successor securities depository to be the absolute Owner of the

Bonds for all purposes whatsoever, including, without limitation, for purposes of payment of the principal of and interest on the Bonds; giving notices of redemption, mandatory tender and other matters with respect to the Bonds; and registering transfers with respect to Bonds; and none of the Authority, the Obligated Group or the Bond Trustee will be affected by any notice to the contrary.

Under the Bond Indentures, payments made by the Bond Trustee to the Bondholder, as shown in the registration records kept by the Bond Trustee (i.e., DTC or its nominee or any successor securities depository or its nominee) shall fully satisfy and discharge the obligations with respect to the payment of principal and Purchase Price of and interest on the Bonds to the extent of the sum or sums so made.

None of the Authority, the Obligated Group or the Bond Trustee shall have any responsibility or obligation with respect to any of the following:

- (i) the accuracy of the records of DTC, its nominee or any DTC Direct or Indirect Participant (as defined below) with respect to any ownership interest in the Bonds;
- (ii) the delivery to any Person other than a Bondholder, as shown in the registration records kept by the Bond Trustee, of any notice with respect to any Bond, including, without limitation, any notice of redemption or mandatory tender;
- (iii) the payment to any DTC Direct or Indirect Participant or any other Person, other than a Bondholder, as shown in the registration records kept by the Bond Trustee, of any amount with respect to the principal of or interest on the Bonds;
- (iv) the selection by DTC or any DTC Direct or Indirect Participant of any Person to receive payment in the event of a partial redemption of Bonds; or
- (v) any consent given or other action taken by DTC.

As long as the DTC book-entry system is used for the Bonds, the Bond Trustee will give any notice of redemption or mandatory tender or any other notices required to be given to Holders of Bonds only to DTC or its nominee. Any failure of DTC to advise any Direct Participant, of any Direct Participant to notify any Indirect Participant, or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption or mandatory tender of the Bonds called for redemption or mandatory tender or to any other action premised on such notice. Beneficial Owners may desire to make arrangements with a Direct or Indirect Participant so that all notices of redemption or mandatory tender or other communications to DTC which affect such Beneficial Owners will be forwarded in writing by such Direct or Indirect Participant.

The provisions described above are applicable with respect to DTC and with respect to any successor securities depository, all as provided in the Bond Indenture.

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. The Bond Trustee with the consent of the Authority may terminate the services of DTC with respect to the Bonds if the Bond Trustee determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuing the book-entry system is not in the best interests of the Beneficial Owners of the Bonds. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the Bonds will be printed and delivered at the expense of the Beneficial Owners as provided in the Bond Indenture.

The following information about DTC and DTC's book-entry only system applicable to the Bonds has been supplied by DTC. The Authority, the Obligated Group, the Bond Trustee and the Underwriter take no responsibility for the accuracy or completeness thereof nor make any representations, warranties or guarantees with respect thereto.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except as specifically provided in the Bond Indentures in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain

steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a Series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners of the Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Each Series of the Bonds and the interest thereon are obligations of the Authority, payable solely from the Trust Estate pledged therefor under the related Bond Indenture, and are further secured by the Master Indenture pursuant to which the 2018 Master Note Obligations will be issued.

The Bonds shall not constitute or become an indebtedness, debt, liability or charge against the general credit or taxing power of the State, the Regents, or of any other political subdivision of the State other than the Authority (but only to the extent provided in the related Bond Indenture) and neither the State, the Regents, nor any other political subdivision of the State except the Authority to the extent provided in the Bond Indentures shall be liable thereon; nor shall the Bonds constitute the giving, pledging or loaning of the faith and credit of the State, the Regents, or any other political subdivision of the State but shall be payable solely from the funds pledged therefor as part of the Trust Estate in the related Bond Indenture. The issuance of the Bonds shall not, directly or indirectly or contingently, obligate the State, the Regents, or any other political subdivision of the State, nor empower the Authority to levy or collect any form of taxes or assessments therefor or to create any indebtedness payable out of taxes or assessments or make any

appropriation for their payment and such appropriation or levy is prohibited. The Authority is not authorized to levy or collect any taxes or assessments to pay the Bonds or for any other purpose.

The descriptions of the Bonds (as well as the security for the Bonds, including the Bond Indentures, the 2018 Master Note Obligations and the Initial Liquidity Facilities and the other security features for the Bonds) are applicable to the Series 2018B Bonds and the Series 2018C Bonds, and the Bond Indenture and 2018 Master Note Obligation securing each Series of Bonds and the Initial Liquidity Facility with respect to each Series of Bonds, unless otherwise noted herein. However, each Series of Bonds is separately secured by its respective Bond Indenture and 2018 Master Note Obligation and liquidity support with respect to each Series of Bonds is provided by its respective Initial Liquidity Facility, and each such respective Bond Indenture, 2018 Master Note Obligation and Initial Liquidity Facility does not secure or provide liquidity support for the other Series of Bonds.

The Bond Indenture

Each Series of the Bonds is issued pursuant to and secured by a separate Bond Indenture. Under each Bond Indenture, the Authority is obligated, among other things, to make payments to the Bond Trustee in such amounts and at such times as will be sufficient to pay when due the principal of and interest on the related Bonds (but solely from the Trust Estate pledged thereto in the related Bond Indenture). Pursuant to the respective Bond Indenture, the Trust Estate consists of (a) all right, title and interest of the Authority in the 2018B-1 Master Note Obligation and the 2018C-1 Master Note Obligation, respectively, issued under the Master Indenture and payments made with respect thereto (other than sums paid for deposit in the Rebate Fund), and (b) all right, title and interest of the Authority in and to all moneys and securities held from time to time by the Bond Trustee in the Funds created by the Bond Indenture (other than the Rebate Fund); provided, however, that no security interest is granted in the following and the following are not part of the Trust Estate: (i) moneys deposited with or paid to the Bond Trustee for the redemption of Bonds, notice of redemption of which has been duly given, (ii) moneys held in the Bond Purchase Fund established pursuant to the Bond Indenture, which moneys are held in trust by the Tender Agent, as agent for the Bond Trustee, to pay the Purchase Price of tendered Bonds and otherwise as provided therein and (iii) moneys segregated or deposited and held in trust for the payment of principal, premium, if any, and interest becoming due on the Bonds on or after the due date, which in each case will constitute a separate trust fund for the benefit of the Persons entitled to such principal, premium, Purchase Price or interest.

Neither Bond Indenture creates a reserve fund.

Section 23-21-501, et seq., Colorado Revised Statutes, as amended (the “Act”) provides that so long as the Authority has bonds, notes or other obligations outstanding, no law terminating the Authority shall take effect unless adequate provision has been made for the payment thereof.

The Master Indenture

General. The obligation of the Authority to make payments with respect to each of the Series 2018B Bonds and the Series 2018C Bonds is further secured by the Obligated Group’s issuance of each of the 2018B-1 Master Note Obligation and the 2018C-1 Master Note Obligation, respectively, pursuant to the Master Indenture and each of Supplemental Master Indenture No. 39B-1 and Supplemental Master Indenture No. 39C-1, respectively. The 2018 Master Note Obligations are joint and several obligations of the Obligated Group. As Obligations issued under the Master Indenture, the 2018 Master Note Obligations are secured by the Master Indenture, which includes a lien on the Gross Revenues, subject to Permitted Encumbrances, of the Obligated Group in favor of the Master Trustee. So

long as no event of default under the Master Indenture has occurred and is continuing, the Master Indenture does not limit the ability of the Members of the Obligated Group to apply Gross Revenues as received to pay operation and maintenance expenses or for any other lawful purpose. The obligation of the Members of the Obligated Group to make payments under the 2018 Master Note Obligations will not be secured by any other assets of the Members of the Obligated Group. The Bonds are not secured by any pledge or mortgage of, or security interest in, any assets of the Members of the Obligated Group except for the pledge of the Gross Revenues as described above. Further, the security for the Bonds is subject to certain possible limitations as to enforceability (see “BONDHOLDERS’ RISKS”) and certain Permitted Encumbrances thereon. Payments under the 2018 Master Note Obligations are secured with respect to Gross Revenues on a parity with payments required to be made under other Obligations issued under the Master Indenture. See “*Parity Indebtedness under the Master Indenture*” below.

Members of the Obligated Group. UCHealth, the Authority, Poudre Valley, MCR, UCH-MHS, Longs Peak, Yampa Valley and PVMG are, and on the date of issuance of the Bonds will be, the Members of the Obligated Group. UCHealth, the Authority, Poudre Valley, MCR, UCH-MHS, Longs Peak, Yampa Valley and PVMG and any future Members of the Obligated Group will be jointly and severally liable with respect to the payment of each Obligation incurred under the Master Indenture, including the 2018 Master Note Obligations. The Master Indenture permits the addition of Members to, and the withdrawal or release of Members from, the Obligated Group from time to time if certain criteria are met. For a more detailed discussion of entry to or withdrawal from the Obligated Group under the Master Indenture, see “THE MASTER INDENTURE—Entrance Into the Obligated Group” and “—Cessation of Status as a Member of the Obligated Group” in Appendix C. The Master Indenture does not permit the withdrawal of the Authority from the Obligated Group.

Under the Master Indenture, the Obligated Group Representative may also designate “Obligated Group Affiliates” from time to time, and may terminate any such designation upon compliance with the terms of the Master Indenture from time to time. There are currently no Obligated Group Affiliates under the Master Indenture. See “THE MASTER INDENTURE—Obligated Group Affiliates” in Appendix C.

Obligations. Under the Master Indenture, the Members of the Obligated Group (with the approval of UCHealth) are authorized to issue, pursuant to a supplement to the Master Indenture, for themselves and on behalf of the other Members of the Obligated Group, Obligations to evidence or secure Indebtedness (or other obligations of a Member not constituting Indebtedness). The Members of the Obligated Group (including future Members) will be jointly and severally liable with respect to the payment of each Obligation incurred under the Master Indenture.

The Obligated Group Representative will issue each of the 2018B-1 Master Note Obligation and the 2018C-1 Master Note Obligation as security for the Series 2018B Bonds and the Series 2018C Bonds, respectively. All Members of the Obligated Group are jointly and severally obligated to make payments on each of the 2018B-1 Master Note Obligation and the 2018C-1 Master Note Obligation in amounts sufficient to pay when due the principal of and interest on the Series 2018B Bonds and the Series 2018C Bonds, respectively. Each of the 2018 Master Note Obligations is being issued on a parity with other Obligations heretofore and hereafter issued representing or securing Indebtedness or with respect to credit enhancement and Financial Products Agreements.

Parity Indebtedness under the Master Indenture. The Master Indenture which secures the 2018 Master Note Obligations also secures the other Obligations issued thereunder on a parity basis with the 2018 Master Note Obligations. On the date of issuance of the Bonds, the Obligated Group will issue Obligations evidencing the Obligated Group’s payment obligations with respect to the Series 2018A Bonds, in addition to the 2018 Master Note Obligations. The total principal amount of Obligations representing or securing indebtedness under the Master Indenture, after the issuance of the Bonds and the

application of the proceeds thereof, will be \$1,644,100,000. For a description of the indebtedness so secured, see “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Long-Term Indebtedness” in Appendix A.

The Master Indenture also secures Obligations issued thereunder with respect to obligations under direct purchase agreements for bonds (which bonds themselves are secured by Obligations issued under the Master Indenture and are included in the principal amount set forth above) and Financial Products Agreements. The Obligated Group is currently party to four Financial Products Agreements. Two of the Financial Products Agreements are interest rate exchange agreements entered into by the Authority in the notional amounts of \$62,245,000 and \$86,630,000, under which the Authority pays a fixed interest rate to the counterparty thereof in return for a variable rate tied to a percentage of LIBOR plus a spread. The fixed rate paid by the Authority is 3.5% and 3.631%, respectively. The third Financial Products Agreement was entered into in 2017 and is a total return swap agreement with Citibank, N.A., an affiliate of the Underwriter, with respect to the Series 2017A Bonds of the Authority in the notional amount of \$152,075,000. Pursuant to the total return swap agreement, (a)(i) UCHealth makes payments based upon a floating rate, and (ii) Citibank, N.A. makes payments based upon the actual rate of interest paid on the Series 2017A Bonds, in each case, on a net basis and based on a notional amount as set forth in the related confirmation, and (b) upon the termination of the total return swap agreement (either at the scheduled termination thereof or upon an early termination), (x) UCHealth will pay a fixed percentage (100% or less, to be determined) of the absolute value of any decrease in market value of the Series 2017A Bonds, or (y) Citibank, N.A. will pay a fixed percentage (100% or less, to be determined) of the value of any increase in market value of the Series 2017A Bonds. The fourth Financial Products Agreement which corresponds generally in notional amount with the principal amount of the Series 2018A Bonds, the Series 2018B Bonds and the Series 2018C Bonds is a forward starting interest rate exchange agreement entered into by UCHealth in the notional amount of \$198,805,000, under which, commencing September 1, 2018, UCHealth will pay a fixed rate of 1.810% and the counterparty will pay a variable rate tied to a percentage of LIBOR. All such agreements are secured by the Master Indenture, but termination payments are expressly subordinated and subject to right of payment to all other Obligations issued thereunder.

Certain Financial Covenants

The Master Indenture includes financial covenants to be observed by the Obligated Group. These are summarized in Appendix C under “THE MASTER INDENTURE.” Certain of the covenants described in more detail in Appendix C include those summarized below.

Debt Service Coverage, Liquidity Levels and Indebtedness Ratios. The Master Indenture includes covenants which require the Obligated Group to maintain minimum debt service coverages. If a required coverage is not maintained, the Members of the Obligated Group are required to retain a consultant to provide recommendations to increase the coverage ratio. The Authority (and each other Member of the Obligated Group) agrees to follow (and cause any Obligated Group Affiliates to follow) such recommendation to the extent feasible. See “THE MASTER INDENTURE—Coverage Test” in Appendix C.

Supplements to the Master Indenture and related agreements include additional financial covenants relating to debt service coverage, liquidity levels and debt ratios, which if not met could result in an event of default under the Master Indenture. These additional covenants cease to be effective upon payment in full of the Obligation to which such Master Indenture Supplement or related agreement relates.

See also Appendix A hereto with respect to certain financial information relative to debt service coverage, liquidity levels and indebtedness ratios.

Liens on Assets; Transfer of Assets. The Members of the Obligated Group have granted a lien on their Gross Revenues, subject only to Permitted Encumbrances, in favor of the Master Trustee as security for the Obligations, including the 2018 Master Note Obligations issued under the Master Indenture. Under the Master Indenture, the Property of the Obligated Group may not be otherwise encumbered in any way, with the exception of Permitted Encumbrances, which include, among other things, certain other Liens which may be granted to secure Indebtedness and Financial Products Agreements, including additional Obligations. Such other Liens are not required to secure the 2018 Master Note Obligations and the 2018 Master Note Obligations would be subordinated to such Indebtedness with respect to the obligations secured by such Liens. See the definition of “Permitted Encumbrances” in “THE MASTER INDENTURE—Definitions,” “THE MASTER INDENTURE—Security for Obligations” and “—Liens on Property,” all in Appendix C. The Master Indenture also contains restrictions on the ability of the Members of the Obligated Group or any Obligated Group Affiliate to sell, lease, transfer or otherwise dispose of its assets.

Obligations under the Master Indenture are not secured by any pledge of, mortgage on or security interest in assets or revenues of the Obligated Group or any Obligated Group Affiliate except to the extent described in the preceding paragraph. Although Permitted Encumbrances under the Master Indenture may include mortgages and other liens on real and personal property so long as such mortgages or other liens secure all Obligations under the Master Indenture, the Act presently limits indebtedness secured by property other than revenues to \$60,000,000. All outstanding Obligations in aggregate exceed \$60,000,000. Accordingly, the Obligations are secured, on a parity basis, by a lien on Gross Revenues and the Obligations are not secured by a mortgage on or security interest in Property of the Obligated Group.

Additional Indebtedness. The abilities of the Authority and the other Members of the Obligated Group or Obligated Group Affiliates to incur additional indebtedness and other additional indebtedness evidenced by Obligations, and the amount and terms of such additional indebtedness are subject to the provisions of the Master Indenture. See “THE MASTER INDENTURE—Limitations on Indebtedness” in Appendix C.

For additional information relative to the security for the Bonds and the documents relating thereto, see Appendix C.

THE INITIAL LIQUIDITY FACILITIES AND THE INITIAL LIQUIDITY FACILITY PROVIDER

General

The following description is a summary of certain provisions of the Initial Liquidity Facilities supporting the Bonds. Each Series of Bonds is supported by a separate Initial Liquidity Facility. The Initial Liquidity Facilities are substantially similar and, as such, the majority of the discussion below is generic and applies equally to each Initial Liquidity Facility. Where specific term of the Initial Liquidity Facilities differ, those differences are explicitly identified in the following discussion. Each Initial Liquidity Facility supports only the Series of Bonds explicitly covered thereby and does not support any other Series of Bonds. Such summary does not purport to be a complete description or restatement of the material provisions of the Initial Liquidity Facilities. Investors should obtain and review copies of the applicable Initial Liquidity Facility in order to understand all of the terms of that document. Capitalized

terms used in the following summary which are not otherwise defined in this Official Statement shall have the meanings given to such terms in the Initial Liquidity Facilities.

The Initial Liquidity Facilities provide that the Initial Liquidity Provider will purchase the Eligible Bonds (as defined in the Initial Liquidity Facility) of the applicable Series bearing interest at the Weekly Interest Rate that are tendered or deemed tendered from time to time pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the applicable Bond Indenture, to the extent that such Eligible Bonds are not remarketed by the Remarketing Agent or insufficient funds are available for such tender.

Under certain circumstances described below, the obligation of the Initial Liquidity Provider to purchase Eligible Bonds of the applicable Series tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be immediately suspended or terminated without notice. In such event, sufficient funds may not be available to purchase such Eligible Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Initial Liquidity Facilities do not provide security for the payment of principal of or interest or premium, if any, on the Eligible Bonds of the applicable Series.

Purchase of Tendered Eligible Bonds by the Initial Liquidity Provider

Subject to the terms and conditions of each Initial Liquidity Facility, the Initial Liquidity Provider will purchase from time to time during the period prior to the expiration or earlier termination of the applicable Initial Liquidity Facility, Eligible Bonds of the applicable Series bearing interest at the Weekly Interest Rate that are tendered or deemed tendered from time to time during the period (the “Commitment Period”) commencing on the date of delivery of the applicable Initial Liquidity Facility and ending on the Termination Date (as defined below) pursuant to an optional or mandatory tender by owners thereof in accordance with the terms and provisions of the applicable Bond Indenture, to the extent that such Eligible Bonds are not remarketed by the Remarketing Agent or insufficient funds are available for such tender. The price to be paid by the Initial Liquidity Provider for such Eligible Bonds will be equal to the aggregate principal amount of each such Eligible Bond (provided that the aggregate principal amount of such Eligible Bonds so purchased shall not exceed the Available Principal Commitment (as defined below)), plus the aggregate interest accrued on such Eligible Bonds (provided that the aggregate interest accrued on all Eligible Bonds so purchased shall not exceed the lesser of (i) the Available Interest Commitment (as defined below) on such date and (ii) the aggregate interest accrued and unpaid with respect to each such Eligible Bond, other than Defaulted Interest (as defined in each Initial Liquidity Facility), to but excluding the Purchase Date; *provided*, that if the applicable Purchase Date is an Interest Payment Date the amount described in this clause (ii) shall be reduced by the amount of interest payable with respect to each such Eligible Bond on such Interest Payment Date).

The Available Principal Commitment with respect to the 2018B Initial Liquidity Facility (which Available Principal Commitment may be adjusted from time to time in accordance with the provisions of the 2018B Initial Liquidity Facility) initially means \$76,170,000. The Available Interest Commitment with respect to the 2018B Initial Liquidity Facility (which Available Interest Commitment may be adjusted from time to time in accordance with the provisions of the 2018B Initial Liquidity Facility) means an amount equal to 35 days’ interest on the outstanding principal amount of the Series 2018B Bonds constituting Eligible Bonds calculated at a rate of 12% per annum, on the basis of a 365-day year (initially \$876,477).

The Available Principal Commitment with respect to the 2018C Initial Liquidity Facility (which Available Principal Commitment may be adjusted from time to time in accordance with the provisions of the 2018C Initial Liquidity Facility) initially means \$75,265,000. The Available Interest Commitment

with respect to the 2018C Initial Liquidity Facility (which Available Interest Commitment may be adjusted from time to time in accordance with the provisions of the 2018C Initial Liquidity Facility) means an amount equal to 35 days' interest on the outstanding principal amount of the Series 2018C Bonds constituting Eligible Bonds calculated at a rate of 12% per annum, on the basis of a 365-day year (initially \$866,064).

Neither Initial Liquidity Facility will provide for the payment of principal of and interest on any Eligible Bonds other than with respect to the purchase price of the Eligible Bonds of the applicable Series tendered or deemed tendered and not remarketed.

Each Initial Liquidity Facility will provide that the obligations of the Initial Liquidity Provider to purchase the Eligible Bonds thereunder shall be terminated upon the earliest to occur of (i) July 26, 2023 (the "Stated Expiration Date"); (ii) the date on which no Eligible Bonds of the applicable Series are outstanding, (iii) the date on which the Available Commitment (as defined in each Initial Liquidity Facility) is permanently reduced to zero, (iv) the date on which the Initial Liquidity Provider's obligation to purchase Bonds of the applicable Series shall terminate in its entirety pursuant to the terms of the applicable Initial Liquidity Facility (including upon the occurrence of an Immediate Termination Event (as defined below)), (v) the close of business on the date on which the interest rate on all of the Bonds of the applicable Series begins to accrue interest in an interest rate other than the Weekly Interest Rate, so long as the Initial Liquidity Provider has honored any properly made request to purchase such Bonds tendered for purchase as a result of such conversion, and (vi) the earlier to occur of (x) the close of business on the Business Day immediately succeeding the Substitution Date (as defined in each Initial Liquidity Facility) and (y) the date on which the Initial Liquidity Provider honors any properly made request to purchase Bonds tendered for purchase as a result from such substitution (collectively, the "Termination Date"). **Under certain circumstances as described below, the obligations of the Initial Liquidity Provider to purchase Eligible Bonds will be automatically suspended or terminated, without prior notice to or demand upon any party, and the Tender Agent will be unable to require the purchase of Eligible Bonds under the applicable Initial Liquidity Facility.**

Events of Default

The following events constitute Events of Default under each Initial Liquidity Facility. Reference is made to each Initial Liquidity Facility for a complete list of all Events of Default thereunder.

(a) *Events of Default Not Permitting Immediate Termination or Suspension.*

(i) *Payments.* UCHHealth shall fail to pay, or cause to be paid, within three (3) Business Days after the same become due, any amount (other than as described in clause (b)(ii) under the subheading "Events of Default Permitting Immediate Termination or Suspension" below) owed by UCHHealth to the Initial Liquidity Provider pursuant to the Initial Liquidity Facility, the Fee Agreement (as defined in each Initial Liquidity Facility) or any of the Related Documents (as defined in each Initial Liquidity Facility).

(ii) *Representations.* Any material representation or warranty made by or on behalf of UCHHealth in the Initial Liquidity Facility (or incorporated therein by reference) or in any other Related Document to which it is a party or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Initial Liquidity Facility or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect.

(iii) *Covenants.* UCHealth shall default in the due performance or observance of certain covenants set forth in the Initial Liquidity Facility (after giving effect to any applicable grace periods).

(iv) *Other Covenants.* UCHealth shall default in the due performance or observance of any other term, covenant or agreement contained in the Initial Liquidity Facility, any other Related Document or the Fitzsimons Ground Lease (as defined in each Initial Liquidity Facility) and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof.

(v) *Other Debt.* A default shall occur under any evidence of indebtedness (other than Parity Debt or Material Debt (as each term is defined in each Initial Liquidity Facility)) issued, assumed, or guaranteed by UCHealth, any Member or any Obligated Group Affiliate under any indenture, agreement or other instrument under which the same may be issued, or any obligation under a swap contract and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness or obligation under a swap contract (whether or not such maturity is in fact accelerated) or any such indebtedness or obligation under a swap contract shall not be paid when and as due (whether by lapse of time, acceleration or otherwise).

(vi) *Invalidity.* Except as described below in clauses (b)(iv) or (v) under the subheading “Events of Default Permitting Immediate Termination or Suspension” below, any other material provision of the Initial Liquidity Facility or any other Related Document shall at any time for any reason cease to be valid and binding on UCHealth or any other Member of the Obligated Group as a result of a ruling or finding by a court or a governmental authority with competent jurisdiction or shall be declared in a final non appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by UCHealth or any other Member of the Obligated Group.

(vii) *Other Documents.* Any “event of default” shall have occurred under any of the Related Documents or the Fitzsimons Ground Lease (as defined respectively therein), including, without limitation the Master Indenture.

(viii) *Downgrade.* The Obligor Rating (as defined in each Initial Liquidity Facility) assigned by Moody’s, S&P or Fitch (to the extent that such rating agency then assigns a long-term unenhanced rating to the Bonds or any Material Debt) is withdrawn or suspended for credit-related reasons or falls below “A3” by Moody’s, “A-” by S&P or “A-” by Fitch.

(ix) *Judgments.* Any final non-appealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Initial Liquidity Provider, in an aggregate amount not less than \$5,000,000 shall be entered or filed against any Member or against the Obligated Group, any Material Obligated Group Affiliate (other than UCHealth or any Material Member (as defined in each Initial Liquidity Facility)) or against any of their respective Property and remain unvacated, unsatisfied, unbonded or unstayed for a period of thirty (30) days.

(x) *ERISA.* UCHealth, any other Member of the Obligated Group or any member of their respective Controlled Group shall fail to pay when due an amount or amounts aggregating in excess of \$1,000,000 which it shall have become liable to pay to the PBGC or to a Plan under

Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of \$1,000,000 (collectively, a “Material Plan”) shall be filed under Title IV of ERISA by UCHHealth, any other Member of the Obligated Group or any member of their respective Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against UCHHealth, any other Member of the Obligated Group or any member of their respective Controlled Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated;

(xi) *Event of Insolvency.* An Event of Insolvency (as defined below) shall have occurred with respect to any Member (other than UCHHealth or any Material Member) or a Material Obligated Group Affiliate.

(xii) *Existence.* Except as permitted by the Master Indenture, the dissolution or termination of the existence of the Authority, UCHHealth or any other Member of the Obligated Group or any Material Obligated Group Affiliate.

(xiii) *Payments on Liquidity Facility Bonds.* UCHHealth shall fail to pay, or cause to be paid, when due the principal of or interest on Liquidity Facility Bonds as a result of an acceleration of the principal of and interest on Liquidity Facility Bonds pursuant to the provisions of the Initial Liquidity Facilities described in clause (d) under the heading “Remedies” below by reason of an Event of Default described in clause (a) above.

(xiv) *Material Debt.* UCHHealth or any other Member shall (i) default on the payment of the principal of or interest on any Material Debt (other than Parity Debt) beyond the period of grace, if any, provided in the instrument or agreement under which such Material Debt (other than Parity Debt) was created or incurred, or (ii) default in the observance or performance of any agreement or condition relating to any Material Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit, with the giving of notice if required (but without further condition or passage of time) any such Material Debt to become due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Material Debt prior to its stated maturity date.

(xv) *Parity Debt.* UCHHealth or any Member shall default in the observance or performance of any agreement or condition relating to any Parity Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Parity Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Parity Debt prior to its stated maturity date.

(xvi) *Material Adverse Change.* An adverse change shall have occurred with respect to UCHHealth’s or any other Member of the Obligated Group’s financial condition, business or reputation or market conditions generally which could reasonably be expected to materially adversely impact UCHHealth’s or any other Member of the Obligated Group’s ability to satisfy its

obligations hereunder, under any other Related Documents or with respect to the applicable Series of Bonds.

(b) *Events of Default Permitting Immediate Termination or Suspension.*

(i) *Event of Insolvency.* An Event of Insolvency (as defined below) shall have occurred with respect to UCHealth or any Material Member.

(ii) *Payment Default.* Any failure, wholly or partially, to make timely any payment of the principal of or interest when due on the applicable Series of Bonds or Liquidity Facility Bonds (other than with respect to an acceleration of the principal of and interest on Liquidity Facility Bonds pursuant to the provisions of the Initial Liquidity Facilities described in clause (d) under the heading “Remedies” below by reason of an Event of Default described in clause (a) under the subheading “Events of Default Not Permitting Immediate Termination or Suspension” above).

(iii) *Parity Debt.* UCHealth or any other Member shall default on the payment of the principal of and/or interest on any Parity Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt was created or incurred (other than a failure to pay any amount described in clause (iv) of the definition of “Parity Debt” set forth in each Initial Liquidity Facility which has been accelerated pursuant to the terms of the applicable agreement).

(iv) *Contest of Validity.* UCHealth or any Material Member or any authorized officer thereof shall (i) publicly claim that any of the provisions that provide for the payment of principal of or interest on the applicable Series of Bonds or Liquidity Facility Bonds in the applicable Bond Indenture, the Master Indenture, such Bonds or the Initial Liquidity Facility or any provision that provides for the payment of the principal of or interest on any Parity Debt is not valid or binding on UCHealth or such Material Member, (ii) publicly repudiate its obligations under any of the provisions that provide for the payment of principal of or interest on the applicable Series of Bonds or Liquidity Facility Bonds in the applicable Bond Indenture, the Master Indenture, such Bonds or the Initial Liquidity Facility or its obligation to repay any Parity Debt and/or (iii) contest or initiate any legal proceedings to seek an adjudication that provides for the payment by UCHealth or such Material Member, as applicable, of principal of or interest on the applicable Series of Bonds or Liquidity Facility Bonds in the applicable Bond Indenture, the Master Indenture, such Bonds or the Liquidity Facility or its obligation to repay any Parity Debt, or that establish the pledge of the Gross Revenues (as defined in each Initial Liquidity Facility), is not valid or binding on UCHealth or any Material Member, as applicable.

(v) *Invalidity.* Any court of competent jurisdiction or other governmental authority with jurisdiction to rule on the validity of the Initial Liquidity Facility, the Master Indenture, the applicable Series of Bonds or the applicable Bond Indenture shall find or rule in a final non appealable judgment that any such agreement in its entirety or any of the provisions that provide for the payment by UCHealth or any Material Member, as applicable, of principal of or interest on the Bonds or Liquidity Facility Bonds or that establish the pledge of the Gross Revenues in the Master Indenture, is not valid or binding on UCHealth or any Material Member.

(vi) *Downgrade.* The long-term unenhanced rating assigned by each of Moody’s, S&P and Fitch to the Bonds or any Parity Debt assigned by each of Moody’s, S&P and Fitch (to the extent that such rating agency then assigns a long-term unenhanced rating to the applicable

Series of Bonds or any Parity Debt) shall be (A) withdrawn for credit-related reasons or suspended or (B) reduced below “Baa3” by Moody’s, “BBB-” by S&P and “BBB-” by Fitch.

(vii) *Judgments.* Any final non-appealable judgment or judgments or other court order for the payment of money, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Initial Liquidity Provider, in an aggregate amount not less than \$5,000,000 shall be entered or filed against UCHealth or any Material Member and remain unvacated, unsatisfied, unbonded or unstayed for a period of sixty (60) days.

Remedies

Upon the occurrence of a Default (as defined in each Initial Liquidity Facility) or an Event of Default thereunder, the Initial Liquidity Provider may take one or more of the following actions:

(a) *Immediate Termination.* Upon the occurrence of any Event of Default described in clauses (b)(i), (ii), (iii), (v), (vi) or (vii) under the subheading “Events of Default Permitting Immediate Termination or Suspension” above (each an “Immediate Termination Event”), the Available Commitment, the Commitment Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds shall immediately terminate without notice or demand, and thereafter the Initial Liquidity Provider shall be under no obligation to purchase Eligible Bonds. Upon the occurrence of an Immediate Termination Event, the Initial Liquidity Provider shall promptly give written notice of the same to the Bond Trustee, UCHealth and the Remarketing Agent; provided, that the Initial Liquidity Provider shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the Available Commitment, the Commitment Period and the Initial Liquidity Provider’s obligation to purchase Eligible Bonds pursuant to the applicable Initial Liquidity Facility. The Bond Trustee shall immediately notify all Bondholders of the termination of the Available Commitment and the obligation of the Initial Liquidity Provider to purchase the Eligible Bonds of the applicable Series.

(b) *Suspension.* Upon the occurrence of an Event of Default described under clause (b)(iv) under the subheading “Events of Default Permitting Immediate Termination or Suspension” above or a Default described under clause (b)(v) under the subheading “Events of Default Permitting Immediate Termination or Suspension” above (following any finding or ruling subject to further proceeding and prior to the entry of a final non-appealable judgment) (each a “Suspension Event”), the Initial Liquidity Provider’s obligation to purchase such Eligible Bonds of the applicable Series shall be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider shall be under no obligation to purchase Eligible Bonds until such obligation is reinstated as described below. Promptly upon the Initial Liquidity Provider’s obtaining knowledge of any such Suspension Event, the Initial Liquidity Provider shall give written notice of the same to UCHealth, the Bond Trustee and the Remarketing Agent of such suspension; provided, however, that the Initial Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Initial Liquidity Provider’s obligation to purchase Eligible Bonds of the applicable Series.

In the event a court with jurisdiction to rule on the validity of the provision(s) described in clauses (b)(iv) or (b)(v) under the subheading “Events of Default Permitting Immediate Termination or Suspension” above shall thereafter enter a final, non-appealable judgment that such provision(s) is not valid and binding on UCHealth, then the Available Commitment of the

applicable Series, the Commitment Period and the Initial Liquidity Provider's obligation to purchase Eligible Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the provision(s) enter a final, non-appealable judgment that such provision(s) is valid and binding on UCHealth, the Initial Liquidity Provider's obligations to purchase such Eligible Bonds under the Initial Liquidity Facility shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Provider's obligation to purchase such Eligible Bonds shall otherwise have terminated or been suspended in accordance with the terms of the Initial Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the last day of the Commitment Period and the date which is two (2) years after the effective date of suspension of the Initial Liquidity Provider's obligation pursuant to the Initial Liquidity Facility, litigation is still pending or a judgment regarding the validity of the provisions described in clauses (b)(iv) or (b)(v) under the subheading "Events of Default Permitting Immediate Termination or Suspension" above as is the subject of such Default has not been obtained, then the Available Commitment, the Commitment Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds of the applicable Series shall at such time immediately terminate and the Initial Liquidity Provider shall be under no obligation to purchase such Eligible Bonds.

(c) *Termination with Notice.* Upon the occurrence of an Event of Default described in clause (a) under the subheading "Events of Default Not Permitting Immediate Termination or Suspension" above, the Initial Liquidity Provider may give a written notice of termination (a "Termination Notice") to UCHealth, the Bond Trustee and Remarketing Agent specifying the date on which the Available Commitment, the Commitment Period and the obligation of the Initial Liquidity Provider to purchase Eligible Bonds of the applicable Series shall terminate, which date shall not be less than thirty (30) days from the date of receipt of such Termination Notice by the Bond Trustee. On and after the date specified in the Termination Notice, the Available Commitment, the Commitment Period and the obligation of the Initial Liquidity Provider to purchase such Eligible Bonds shall terminate and the Initial Liquidity Provider shall be under no obligation to purchase Eligible Bonds hereunder.

(d) *Other Remedies.* Upon the occurrence of any Event of Default specified above, and in addition to any of the other rights and remedies described under the heading "Remedies", (i) all amounts owed to the Initial Liquidity Provider under the Initial Liquidity Facility and under any Liquidity Facility Bonds shall bear interest at the Default Rate (as defined in each Initial Liquidity Facility) until paid, (ii) the Initial Liquidity Provider may by written notice to UCHealth declare that all amounts owed to the Initial Liquidity Provider under the Initial Liquidity Facility and with respect to the Liquidity Facility Bonds to be immediately due and payable whereupon such amounts shall be immediately due and payable (provided, that the obligations of UCHealth under the Initial Liquidity Facility and under the Liquidity Facility Bonds shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Default described in clause (b)(i) under the subheading "Events of Default Permitting Immediate Termination or Suspension" above), (iii) the Initial Liquidity Provider may, by written notice to UCHealth, the Bond Trustee and the Authority, direct the Bond Trustee to cause the redemption of the Liquidity Facility Bonds under the related Bond Indenture, and the Bond Trustee and UCHealth acknowledge that receipt of such notice shall be deemed a written direction from UCHealth for purposes of causing such redemption thereunder, and (iv) the Initial Liquidity Provider shall have all remedies provided at law or in equity, including, without limitation, the right of set-off and specific performance. The Initial Liquidity Provider shall promptly provide written notice to the Bond Trustee and UCHealth of any acceleration of the amounts due under an Initial Liquidity Facility. If requested by the Authority, UCHealth shall (x) confirm that the notice delivered by the Initial Liquidity Provider pursuant to the provisions

described in subparagraph (iii) above constitutes the written direction of UCHealth required to be delivered under the related Bond Indenture and (y) immediately provide any such further written notice or direction with respect to such redemption as the Authority shall require.

(e) *Cure.* In the case of any Event of Default under the Initial Liquidity Facility the Initial Liquidity Provider shall have the right, but not the obligation, to cure any such Event of Default (in which case UCHealth shall reimburse the Initial Liquidity Provider therefor pursuant to the Initial Liquidity Facility).

Notwithstanding the provisions as described in clause (a) above, if, upon the occurrence of an Event of Default under clause (a) under the subheading “Events of Default Not Permitting Immediate Termination or Suspension” above, the Initial Liquidity Provider exercises its rights as described under clause (d) above to declare the amounts owed under the Initial Liquidity Facility or under the Liquidity Facility Bonds to be immediately due and payable or to have the Liquidity Facility Bonds become subject to redemption, the failure to pay such accelerated amounts shall not, by itself, permit the immediate termination of the Available Commitment, the Commitment Period and the Initial Liquidity Provider’s obligation to purchase Eligible Bonds of the applicable Series pursuant to the terms of the Initial Liquidity Facility.

The capitalized term “Event of Insolvency” used under this heading “THE INITIAL LIQUIDITY FACILITIES AND THE INITIAL LIQUIDITY FACILITY PROVIDER” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its Property or there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the commencement against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its Property or seeking the appointment or designation with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or seeking a declaration or introduction or proposal for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it and such action is not dismissed, discharged or stayed within sixty (60) days;

- (d) the making of an assignment for the benefit of creditors by such Person;
 - (e) the inability or failure of such Person to pay its debts as they become due;
 - (f) the declaration by such Person of a moratorium with respect to its debts or any Governmental Authority having appropriate jurisdiction over such Person shall impose pursuant to a finding or ruling a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction with respect to the payment of the debts of such Person;
 - (g) such Person shall admit in writing its inability to pay its debts when due;
 - (h) such Person is “insolvent” as defined in Section 101(32) of the Bankruptcy Code;
- or
- (i) the initiation of any action in furtherance of or to authorize any of the foregoing by or on behalf of such Person.

Certain Information Concerning the Initial Liquidity Facility Provider

Certain information with respect to and concerning the Initial Liquidity Facility Provider is set forth in Appendix H hereof. The Initial Liquidity Facility Provider is responsible only for the information contained in this section of the Official Statement and Appendix H hereto, and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Official Statement. Accordingly, the Initial Liquidity Facility Provider assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

Proceeds of the Bonds, together with the proceeds of the Series 2018A Bonds and other available moneys, are expected to be used to (i) refund the outstanding principal amount of the Colorado Health Facilities Authority’s Refunding Revenue Bonds, Series 2005A, Series 2005B and Series 2005C (collectively referred to herein as the “Refunded Bonds”) and (ii) pay certain expenses incurred in connection with the issuance of the Bonds and the Series 2018A Bonds.

The estimated sources and uses of the proceeds of the Bonds, the Series 2018A Bonds and the other available moneys are as follows:

Estimated Sources and Uses of Funds

Sources:

Principal Amount of Series 2018B Bonds.....	\$ 76,170,000
Principal Amount of Series 2018C Bonds.....	75,265,000
Principal Amount of Series 2018A Bonds.....	45,915,000
Other Sources	<u>28,522,452</u>
Total	\$225,872,452

Uses:

Current Refund the Refunded Bonds.....	\$224,501,137
Cost of Issuance Including Underwriter's Discount.....	<u>1,371,315</u>
Total	\$225,872,452

Bond proceeds, Series 2018A proceeds and other amounts available therefor will be deposited on the date of issuance of the Bonds with Wells Fargo Bank, National Association, as escrow agent, pursuant to a single escrow agreement and will be held in escrow invested in direct obligations of the United States of America and otherwise held uninvested as cash. Moneys held under the escrow agreement will be used to pay the redemption price of the all series of the Refunded Bonds on September 1, 2018 at a redemption price of 102% of the principal amount thereof, together with interest on the Refunded Bonds to the date of such optional redemption.

ESTIMATED DEBT SERVICE SCHEDULE

Appendix A includes a table listing the long-term indebtedness of the System which will be secured by the Master Indenture upon the issuance of the Bonds and the Series 2018A Bonds. See "SUMMARY OF SYSTEM FINANCIAL INFORMATION—Long-Term Indebtedness" in Appendix A.

The following table sets forth the amounts estimated to be required for the payment of principal at maturity or by mandatory sinking fund redemption, as the case may be, and interest on such long-term indebtedness secured by the Master Indenture, plus amounts payable on capital leases, including the MHS Lease (the District Lease is treated as an operating lease under generally accepted accounting principles and amounts payable thereunder are not included in the table below), and certain other long-term indebtedness of the Obligated Group. Interest rate assumptions used in the table are described in the footnotes following the table. Accordingly, the following debt service schedule is for illustration purposes only and actual debt service will vary from that shown. Also, the following table does not take into account related ongoing credit or remarketing fees.

Fiscal Year Ending June 30	Series 2018B Bonds Principal	Series 2018B Bonds Interest⁽¹⁾	Series 2018C Bonds Principal	Series 2018C Bonds Interest⁽¹⁾	Total Bonds	Total Series 2018A Bonds⁽¹⁾	Other Outstanding Bonds of the Obligated Group⁽²⁾	Capital Leases and Long- Term Debt	Total Aggregate Debt Service
2019	\$ —	\$ 1,293,271	\$ —	\$ 1,274,885	\$ 2,568,156	\$ 667,158	\$ 67,047,702	\$ 10,087,232	\$ 80,370,248
2020	—	1,610,996	—	1,588,092	3,199,087	831,062	66,403,409	10,098,353	80,531,911
2021	—	1,610,996	—	1,588,092	3,199,087	831,062	64,261,445	9,670,816	77,962,409
2022	—	1,610,996	—	1,588,092	3,199,087	831,062	64,046,372	9,549,088	77,625,608
2023	—	1,610,996	—	1,588,092	3,199,087	831,062	69,324,369	8,312,901	81,667,419
2024	—	1,610,996	—	1,588,092	3,199,087	831,062	69,992,264	7,678,933	81,701,345
2025	—	1,610,996	—	1,588,092	3,199,087	831,062	70,693,872	7,004,501	81,728,521
2026	—	1,610,996	—	1,588,092	3,199,087	831,062	71,022,307	6,756,625	81,809,080
2027	—	1,610,996	—	1,588,092	3,199,087	831,062	71,034,750	6,782,951	81,847,849
2028	—	1,610,996	—	1,588,092	3,199,087	13,584,588	59,949,035	6,810,069	83,542,779
2029	—	1,610,996	—	1,588,092	3,199,087	15,952,885	57,718,298	6,674,245	83,544,514
2030	—	1,610,996	—	1,588,092	3,199,087	15,325,593	59,139,706	5,879,175	83,543,560
2031	12,845,000	1,475,160	—	1,588,092	15,908,251	2,426,765	59,330,622	5,879,175	83,544,813
2032	15,595,000	1,174,407	—	1,588,092	18,357,498	—	59,306,186	5,879,175	83,542,859
2033	15,090,000	849,913	—	1,588,092	17,528,004	—	60,138,182	5,879,175	83,545,361
2034	15,615,000	525,207	—	1,588,092	17,728,299	—	59,934,292	5,879,175	83,541,765
2035	15,240,000	198,916	—	1,588,092	17,027,007	—	60,639,254	5,879,175	83,545,435
2036	1,785,000	18,876	13,800,000	1,442,502	17,046,378	—	60,619,989	5,879,175	83,545,541
2037	—	—	15,530,000	1,133,070	16,663,070	—	61,266,877	5,612,112	83,542,055
2038	—	—	15,290,000	807,919	16,097,919	—	61,831,007	5,612,112	83,541,038
2039	—	—	15,400,000	484,140	15,884,140	—	62,048,531	5,612,112	83,544,782
2040	—	—	15,245,000	160,835	15,405,835	—	62,527,961	5,612,112	83,545,908
2041	—	—	—	—	—	—	78,307,358	5,612,112	83,919,470
2042	—	—	—	—	—	—	78,382,355	5,612,112	83,994,467
2043	—	—	—	—	—	—	84,054,321	1,403,028	85,457,349
2044	—	—	—	—	—	—	84,175,815	—	84,175,815
2045	—	—	—	—	—	—	84,338,749	—	84,338,749
2046	—	—	—	—	—	—	84,498,229	—	84,498,229
2047	—	—	—	—	—	—	84,747,455	—	84,747,455
2048	—	—	—	—	—	—	84,869,100	—	84,869,100
Total	\$76,170,000	\$23,256,700	\$75,265,000	\$30,712,813	\$205,404,514	\$54,605,480	\$2,061,649,808	\$165,655,636	\$2,487,315,437

⁽¹⁾ The interest rate for the Bonds and the Series 2018A Bonds is based upon the applicable fixed rate payable by the Authority or UCHealth under a Financial Products Agreement effective as of September 1, 2018.

⁽²⁾ Debt service shown for other outstanding bonds of the Obligated Group is based upon actual principal maturities and sinking fund payments and, with respect to interest, (i) for \$280,170,000 of fixed rate bonds, is based upon the actual applicable fixed interest rates, (ii) for \$187,045,000 of other variable rate bonds associated with Financial Products Agreements (interest rate exchange agreements) which the Authority or UCHealth has entered into, is based upon the applicable fixed rate payable by the Authority or UCHealth under the Financial Products Agreements, (iii) for \$606,015,000 of variable rate bonds currently outstanding and not associated with a Financial Products Agreement, is based upon 20 year average SIFMA of 1.51%, and (iv) for \$373,520,000 of bonds which are fixed for a period of time and then convert to a variable rate, is based upon the fixed interest rate to the conversion date, and thereafter is based upon 20 year average SIFMA of 1.51%. Debt service shown for outstanding bonds does not include debt service with respect to the Refunded Bonds to be refunded with proceeds of the Bonds and the Series 2018A Bonds.

BONDHOLDERS' RISKS

The purchase and ownership of the Bonds involve investment risks that are discussed throughout this Official Statement. Additionally, this “BONDHOLDERS’ RISKS” section highlights certain general risks associated with hospital or health system operations as well as certain risks that are more specific to the Members of the Obligated Group, and should be read together with the section “REGULATION OF THE HEALTH CARE INDUSTRY” and with Appendix A, which includes more detailed specific information concerning the System and the Members of the Obligated Group. Prospective purchasers of the Bonds should make an independent evaluation of all the information presented in this Official Statement.

Set forth in Bondholders’ Risks is a limited discussion of certain of the risks affecting the Members of the Obligated Group and the ability of the Members of the Obligated Group to provide for

payment of the Bonds. Investors should recognize that the discussion in Bondholders' Risks below and under the caption "REGULATION OF THE HEALTH CARE INDUSTRY" does not cover all such risks, that payment provisions and regulations and restrictions change frequently and that additional material payment limitations and regulations and restrictions may be created, implemented or expanded while the Bonds are outstanding. The operations and financial condition of the Members of the Obligated Group may be affected by factors other than those described in this section on Bondholders' risks and elsewhere in this Official Statement. No assurance can be given as to the nature of such factors or the potential effects thereof on the Members of the Obligated Group.

General

Except as noted herein, payments by the Authority on the Bonds are payable solely from the Trust Estate, which consists primarily of payments to be made by the Members of the Obligated Group with respect to the 2018 Master Note Obligation. The 2018 Master Note Obligation is secured by a pledge of Gross Revenues of the Members of the Obligated Group on a parity with the outstanding Obligations and any future parity Obligations, subject to Permitted Encumbrances. **No representation or assurance can be made that revenue will be realized by the Members of the Obligated Group in amounts necessary to make payments due on the 2018 Master Note Obligation or otherwise be sufficient to pay maturing principal of and interest on the Bonds.**

Federal health care reform legislation has profoundly changed and is profoundly changing many aspects of the operations and finances of health care providers, including the Members of the Obligated Group. Such legislation may be impacted by future legislative, regulatory and judicial action and interpretation. See "—Legislative and Regulatory Changes; Health Care Reform" below as well as "REGULATION OF THE HEALTH CARE INDUSTRY." A significant portion of the revenue of the Members of the Obligated Group is derived from Medicare, Medicaid, state indigent care programs and other third-party payors. The Obligated Group Members are subject to a wide variety of regulatory requirements and actions of federal, state and local government agencies and are affected by the policies, practices and standards of independent professional organizations, accrediting bodies and third-party reimbursement programs. In addition, other conditions in the health care industry may affect the operations and economic viability of the Members of the Obligated Group. Such conditions may include difficulties in maintaining, increasing and collecting fees and charges; difficulties in maintaining an appropriate amount and quality of health services; changes in federal and state laws and regulations affecting the amount and timing of payment for health services; changes in other third-party payment policies; the financial viability of third-party payors; the continued increase in managed care, including contracted insurance, and aggressive contracting by such payors; competition from other health care providers; technological advances and other changes in treatment modes; changes in the structure of how health care is delivered and paid for (e.g., accountable care organizations, value based purchasing, bundled payments and other health reform payment mechanisms, including a "single-payor" system; changes in demand for health services; and changes in the population or economic condition of the System's service area. In addition, the tax-exempt status of the Obligated Group Members (other than the Authority) and, therefore, of the Bonds, could be adversely affected by, among other things, an adverse determination by a governmental entity, noncompliance with governmental regulations or legislative changes, including changes resulting from health care reform legislation or initiatives. See "—Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption" below.

The ability of the Members of the Obligated Group to generate sufficient revenue for payment of debt service on their indebtedness (including the 2018 Master Note Obligation and the Bonds) is subject to, among other things: utilization of inpatient and outpatient services; the capabilities of the management of the System; the confidence of physicians in management; the availability of physicians and trained support staff; the level of and restrictions on federal funding of Medicare and federal and state funding of

Medicaid and other programs; imposition of government wage and price controls or other limits on expenses or revenue; government regulations and licensing requirements; inability to control expenses in a period of inflation; and other future conditions and events that are unpredictable and cannot be quantified or determined at this time.

The operations of the health care industry and the ownership and organization of individual participants have been subject to increasing scrutiny by federal and state governmental agencies. In response to perceived and actual abuses and violations of the terms of existing federal and state health care payment programs, these agencies have increased their audit and enforcement activities, and federal and state legislation has been considered or enacted providing for or expanding existing civil and criminal penalties against certain activities. See “Legislative and Regulatory Changes; Health Care Reform” below as well as the caption “REGULATION OF THE HEALTH CARE INDUSTRY—Fraud and Abuse Laws and Regulations.”

Some of the other identifiable risks that should be considered when making an investment decision regarding the Bonds are detailed below and under the caption “REGULATION OF THE HEALTH CARE INDUSTRY.” Such listing is not, and is not intended to be, exhaustive, nor is the order of the listing intended to reflect the relative importance of the risks described.

General Economic Conditions; Bad Debt, Indigent Care and Investment Performances

Global economic conditions could have a number of negative impacts on the Members of the Obligated Group and on the health care industry generally. Health care providers are economically influenced by the environment in which they operate. Any national, regional or local economic difficulties may constrain corporate and personal spending, limit the availability of credit and increase the national debt and any federal and state government deficits. To the extent that unemployment rates are high, employers reduce their workforces, employers reduce their budgets for employee health care coverage or private and public insurers seek to reduce payments to health care providers or curb utilization of health care services, health care providers may experience decreases in insured patient volume and reductions in payments for services. In addition, to the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is applied to local health care providers to increase uncompensated care. Economic downturns and lower funding of federal Medicare and state Medicaid (a significant source of income for the Members of the Obligated Group) and other state health care programs may increase the number of patients who are unable to pay for their medical and hospital services. These conditions may give rise to increases in health care providers’ uncollectible accounts, or “bad debt,” uninsured discount and charity care and, consequently, to reductions in operating income.

Periodic market declines may adversely affect UCHealth’s investment portfolio, including unrealized investment portfolio losses, unrealized mark-to-market losses on interest rate swaps and reduced investment income, although UCHealth has experienced portfolio gains in recent years. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Investment losses (even if unrealized) may trigger debt covenant violations and may jeopardize hospitals’ economic security. Investment losses in pension and other post-retirement benefit funds may result in increased funding requirements for hospitals and health systems. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Investment Policy and Investment Allocation” in Appendix A for a description of UCHealth’s investment results for the past two fiscal years. Market declines could also limit the Obligated Group’s access to the credit markets and increase the Obligated Group’s borrowing costs.

Legislative and Regulatory Changes; Health Care Reform

Health care reform at both the federal and state levels has been identified as a priority by political leaders and candidates, business leaders and public advocates. In 2010, H.R. 3590, the Patient Protection and Affordable Care Act, amended by H.R. 4872, the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) was enacted. The constitutionality of the Affordable Care Act has been challenged in courts around the country. In June 2012, in response to litigation brought by a group of state attorneys general, the Supreme Court upheld the Affordable Care Act while also substantially limiting the law’s expansion of Medicaid, allowing states to choose between participating in the expansion while receiving additional federal payments or foregoing the expansion and retaining existing payments. In May 2013, the governor of Colorado signed into law the Medicaid expansion authorized by the Affordable Care Act. In June 2015, the U.S. Supreme Court in *King v. Burwell* upheld Treasury Regulation 26. C.F.R. § 1.36B 2(a)(1), issued under the Affordable Care Act, stating that health insurance exchange purchasers can receive tax-credit subsidies, regardless of whether the purchase is made through a federal or state-operated exchange.

The Affordable Care Act addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and continues to change how health care services are covered, delivered and reimbursed. The Affordable Care Act was designed to make available, or subsidize the premium costs of, health care insurance for some of the millions of uninsured (or underinsured) who fall below certain income levels. The primary provisions of the Affordable Care Act intended to accomplish such objectives include: (a) the creation of health insurance exchanges through which individuals and small employers can purchase health care insurance (health insurance providers participating in the health insurance exchanges are subject to regulation of benefit packages and review of premiums); (b) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels; (c) mandating that individuals obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on individuals and employers that do not comply with these mandates; (d) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps; and (e) expansion of existing public programs, including Medicaid, for individuals and families.

The Affordable Care Act makes changes aimed at reducing projected growth of the Medicare program, including reducing Medicare Advantage payments, reducing reimbursement under the disproportionate share hospital (“DSH”) program, and tying provider payments more closely to efficiency and quality outcomes. See “REGULATION OF THE HEALTH CARE INDUSTRY—Medicare Reimbursement—*Part A Reimbursement of Inpatient Services*.” The Affordable Care Act also provides for new methods and increased resources to combat waste, fraud and abuse, as well as demonstration programs relating to alternative approaches for medical malpractice disputes.

The Affordable Care Act also funds various programs to evaluate and encourage new provider delivery models and payment structures, including “accountable care organizations” and bundled provider payments. The ultimate outcomes of these programs, including the likelihood of their being made permanent or expanded or their effect on health care organizations’ revenues or financial performance cannot be predicted.

Several attempts to amend and repeal provisions of the Affordable Care Act have been made since its passage. While previous attempts to repeal the Affordable Care Act have been unsuccessful, the future of the Affordable Care Act is uncertain. President Donald Trump and certain Congressional leaders have included a repeal of all or a portion of the Affordable Care Act in their respective legislative

agendas. In the last year, Congress has introduced several bills to repeal and replace the Affordable Care Act, but no full repeal bills have passed both the House and Senate. However, the Tax Cuts and Jobs Act discussed below repeals the “individual mandate” provision of the Affordable Care Act beginning in 2019. Some of the bills also proposed significant changes to the traditional Medicaid program in addition to repealing the Affordable Care Act. The bills proposed to change the program from an entitlement to block grants. They also included reductions in future appropriations for Medicaid. As noted, none of these bills passed both Houses. Additionally, President Trump’s administration recently endorsed a lawsuit brought by a group of state attorneys general in a Texas federal court arguing that the Affordable Care Act’s individual mandate is now unconstitutional. The states further argue that because the individual mandate is a cornerstone of the law and cannot be removed from the law, the entire Affordable Care Act should be struck down; however, the administration stopped short of supporting total invalidation, stating that only two important provisions (a guarantee that consumers with pre-existing conditions can buy coverage and uniform pricing among consumers in a given geographic area) should be removed. It is not possible to predict whether the Affordable Care Act will be further modified in any significant respect or wholly repealed in the future. Any legislative or judicial action that (i) reduces federal health care program spending, (ii) increases the number of individuals without health insurance, (iii) reduces the number of people seeking health care, or (iv) otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the business, results of operations, cash flow, capital resources and liquidity of the Obligated Group.

Executive branch actions can also have a significant impact on the viability of the Affordable Care Act. On January 20, 2017, President Trump issued an executive order requiring all federal agencies with authorities and responsibilities under the Affordable Care Act to “exercise all authority and discretion available to them to waive, defer, grant exemption from, or delay” sections of the Affordable Care Act that impose “unwarranted economic and regulatory burdens” on states, individuals or health care providers. It is impossible to predict the effect of this executive order. On October 12, 2017, President Trump issued another executive order, which directs the Labor Department to study how to make it easier for small businesses, and possibly individuals, to collectively buy health insurance through association health plans. The order also allows more consumers to purchase short-term health insurance plans and directs agencies to lengthen the coverage of these policies and permit renewals. That same day, President Trump stated that he plans to end the cost-sharing subsidies that the government currently pays insurance companies in order to reduce deductibles and co-pays for many low-income people. These executive orders have the potential to significantly impact the insurance exchange market by reducing the number of healthy individuals in the Affordable Care Act health insurance exchanges. On April 9, 2018, the Centers for Medicare & Medicaid Services (“CMS”) released a final 2019 payment notice, which among other things, increased state-level flexibility in defining essential health benefits and expanded the number of exemptions to the individual mandate. Further, insurance companies may sustain financial losses and, as a result, increase insurance premiums for health plans offered in the exchange or cease to participate in the exchange. The exchanges have had increasing difficulty in attracting and retaining enough insurance companies to create a competitive insurance market, or even to participate at all. The reasons for withdrawal of many insurance companies from the exchanges are varied and disputed. In light of these challenges and recent executive branch actions, it is unclear whether the exchanges will continue to be a viable mechanism for the provisions of health insurance in the future.

Government efforts to repeal or modify the Affordable Care Act may have an adverse effect on the Obligated Group’s businesses, results of operations, cash flow, capital resources and liquidity. Also there can be no assurance that any current health care laws and regulations, in addition to the Affordable Care Act will remain in the current form. There can be no assurances that any potential changes to the laws and regulations governing healthcare would not have a material adverse financial or operational impact on the Obligated Group.

With expanded health insurance coverage under the Affordable Care Act, the Members of the Obligated Group have benefitted from reduced charity care write-offs and bad debt expenses. The Members of the Obligated Group have also benefitted from the expansion of Medicaid programs. On the other hand, the Affordable Care Act is expected over time to result in lower Medicare reimbursements, reduced Medicare and Medicaid DSH funding and reduced funding for graduate medical education. New reimbursement methodologies are also expected to increase pressures for greater operational efficiency. See “REGULATION OF THE HEALTH CARE INDUSTRY—Medicare Reimbursement—*Part A Reimbursement of Inpatient Services.*” Also, since commercial and managed care insurers are expected to experience increased regulation and fees, negotiations of the Members of the Obligated Group with those insurers may become more difficult. New excise taxes on medical equipment could result in increased costs to health care providers such as the Members of the Obligated Group (although such taxes are currently subject to a moratorium through the end of 2019). See also “Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption” below as to additional requirements and limitations for nonprofit hospitals under the Affordable Care Act that may the System nonprofit hospitals.

Many aspects of the Affordable Care Act have taken effect and others may continue to take effect in future years. Portions of the Affordable Care Act have already been limited or nullified as a result of legislative amendments and judicial interpretations, while others have been upheld after being challenged, and future legislative actions and legal challenges may further change its impact. The long-term impact of the Affordable Care Act (if is not repealed) on the health care industry is not fully known. The full ramifications of the Affordable Care Act may become apparent only following full implementation or through regulatory and judicial interpretations. The uncertainties regarding the implementation and future of the Affordable Care Act create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

Many states have also enacted or are considering health care reform measures. Both as a part of recent reform efforts and throughout the preceding decades, numerous legislative proposals have been introduced or proposed in the Colorado legislature aimed at effecting major changes in health care policy and systems. The purpose of much of the statutory and regulatory activity has been to control health care costs, particularly costs paid under the Medicaid program. A significant portion of the Obligated Group’s revenue is derived from the Medicaid program. See “REGULATION OF THE HEALTH CARE INDUSTRY—Medicaid Reimbursement.”

A Colorado constitutional amendment creating a single-payor system was on the State’s 2016 ballot and was not approved by Colorado voters. If approved, the proposed amendment would have created an independent political subdivision of State government (ColoradoCare) which would oversee the expenditure of funds raised by a State-wide tax of 10% on all earned income and a 10% tax on all non-payroll income. The proponents of the 2016 ballot initiative for a State single-payor system have stated that they plan to renew their efforts in future years. If a single-payor constitutional amendment is adopted by State voters in the future, the effect on the Members of the Obligated Group cannot be predicted at this time.

It is not known which additional proposals may be proposed or adopted or, if adopted, what effect such proposals would have on the Obligated Group’s operations or revenue. However, the recent increase in focus and interest on federal and state health care reform may increase the likelihood of further significant changes affecting the health care industry in the near future. There can be no assurance that recently enacted, currently proposed or future health care legislation, regulation or other changes in the administration or interpretation of governmental health care programs will not have an adverse effect on the Members of the Obligated Group. Reductions in funding levels of the Medicare program, changes in payment methods under the Medicare and Medicaid programs, reductions in State funding, or other legislative or regulatory changes could materially reduce the Obligated Group’s income. See

“REGULATION OF THE HEALTH CARE INDUSTRY” herein and “SYSTEM SOURCES OF REVENUE” in Appendix A.

Tax Reform

On December 22, 2017, President Trump signed into law “H.R. 1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “Tax Cuts and Jobs Act”). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. The Tax Cuts and Jobs Act also effectively repealed a key provision of the Affordable Care Act, the “individual mandate,” effective January 1, 2019, which imposes a tax on individuals who do not obtain health insurance, by reducing the penalty amount for noncompliance to zero. The repeal of the individual mandate may result in a higher number of uninsured individuals, which could have a negative effect on the Obligated Group. The Tax Cuts and Jobs Act also eliminates the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds. This could impact the market price or marketability of outstanding bonds issued by the Obligated Group and/or the availability of borrowed funds for the Obligated Group.

Potential Changes to the Tax Treatment of Bonds

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Such legislative proposals, if enacted, could alter the federal and/or state tax treatment described under the heading “TAX MATTERS” herein, and certain of which, whether or not enacted, could adversely affect the market value or marketability of outstanding bonds issued by the Obligated Group. Certain legislative proposals could tax all or a portion of the interest on tax-exempt bonds, including the Bonds, for certain taxpayers under the regular income tax, the alternative minimum tax or otherwise, and could apply to bonds issued before, on, or after the date of enactment.

It is unclear whether any legislation will be enacted affecting the tax treatment of interest on the Bonds. If any such legislation is retroactive and applies to then existing tax-exempt bonds, including the Bonds, the adoption of any such legislation could adversely affect the market value or marketability of the Bonds and the financial condition of the Obligated Group. In addition, the adoption of any such legislation could increase the cost to the Obligated Group of financing future capital needs.

Debt Limit Increase

The federal government has through legislation created a debt “ceiling” or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government in connection with discussions concerning the authorization for an increase in the federal debt ceiling that have threatened to shut down substantial portions of the federal government. Any failure by Congress to increase the federal debt limit may impact the federal government’s ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs.

On February 9, 2018, President Trump signed a bill suspending the debt ceiling to March 1, 2019. The Obligated Group is unable to determine at this time what impact any reinstatement of the debt ceiling or the future failure to increase the federal debt limit if it is reinstated may have on the operations and financial condition of the Obligated Group, although such impact may be material.

Capital Needs v. Capital Capacity; Government Regulation and Approvals—Projects, Operations

Hospital and other health care operations are capital intensive. Regulation, technology and expectations of physicians and patients require constant and often significant capital investment. Total capital needs may exceed capital capacity. Furthermore, capital capacity of hospitals and health systems may be reduced as a result of any credit market dislocations. In addition, the ability of the Members of the Obligated Group to complete future or planned projects, or to operate their facilities, may be adversely affected by legislative, regulatory, administrative or enforcement action at the local, state or national level with respect to a variety of matters, including zoning or land use controls, environmental policy and taxation. Certain governmental permits and approvals are required in connection with the construction or operation of planned and future projects. Delays in obtaining, or failure to obtain, such permits or approvals could prevent the Members of the Obligated Group from completing projects or from successfully operating facilities following completion. Projects must also comply with the Colorado Department of Public Health and Environment's licensing standards for construction of facilities and operations. See "SUMMARY OF SYSTEM FINANCIAL INFORMATION—Capital Budget and Projects" in Appendix A.

Construction Risks

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of qualified contractors or materials and labor, and adverse weather conditions. Such events could delay occupancy of future or planned major construction projects. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials and labor and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Obligated Group to borrow additional funds to complete projects.

Third-Party Reimbursement

Apart from reimbursement by the federal government under Medicare and the federal and state governments under Medicaid (including Medicaid health maintenance organizations), the State government under its indigent care program and the State government under workers' compensation fee schedules, a substantial portion of the Obligated Group's revenue is provided by private third-party payors (such as health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and other commercial insurers). Many of these programs make payments to the Obligated Group at rates other than the direct charges of the Obligated Group, which rates may be determined on a basis other than the actual costs incurred in providing services and items to patients. Accordingly, there can be no assurance that payments made under these programs will be adequate to cover the Obligated Group's actual costs of furnishing health care services and items. In addition, the financial performance of the Obligated Group could be adversely affected by the insolvency of, or other delay in receipt of payments from, third-party payors which provide coverage for services to their patients. Future contract negotiations between third-party payors and Members of the Obligated Group, and other efforts of third-party payors and of employers to limit hospitalization and health-care costs, could adversely affect the level of utilization of the Obligated Group's services, or reimbursement to the Obligated Group, or both.

There is no assurance that the Members of the Obligated Group will maintain particular insurance contracts, existing rates or obtain contracts from third-party payors in the future. Failure to maintain contracts could have the effect of reducing a health care organization's market share and net patient

service revenues. Conversely, participation may result in lower net income if participating health care organizations are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a hospital in a non-preferred or lower tier by a significant payor may result in a material loss of volume. In addition to tiered provider networks, managed care plans are also implementing narrow provider networks in which only a select group of providers participate as in-network providers. Managed care plans often look at quality performance and cost in selecting providers to participate in their narrow networks. A provider's exclusion from a narrow network may result in a material loss of volume. Managed care plans may offer lower reimbursement for providers in their narrow network(s) in exchange for additional volume expected from being one of a select group of network providers. This reimbursement may be insufficient to cover a network provider's cost in providing the services. The demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses a significant business risk (and opportunity) that health care organizations face. See "Private Health Plans and Managed Care" below.

Changes in sources of revenue and case mix intensity may also adversely affect the Obligated Group's operating revenue. For example, if patients formerly covered by commercial insurance programs that pay full hospital and physician charges shift to high deductible health plans, health savings accounts ("HSAs"), HMOs, PPOs or other third-party payors such as contracted insurance that pay lower negotiated rates, the adjustments to determine net patient service revenue would increase, which (absent an offsetting decrease in operating expenses) would result in a decrease in operating income. Individuals choosing their own coverage on exchanges offered under the Affordable Care Act may become highly price sensitive, which could increase the number of enrollees in HMO plans and increase the use of capitation, making price negotiations with HMOs and other insurance plans more difficult. In addition, if the average severity of illness or condition of patients covered by a capitated plan or contracted insurance with per diem charges or charges based on diagnosis were to increase after execution of the related plan contract, operating expenses could increase without an offsetting increase in operating revenue.

High-deductible insurance plans have become more common in recent years and the health care exchanges include a variety of plans, several of which offer lower monthly premiums in return for higher deductibles. High-deductible plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. There is also a potential concern that some patients with high-deductible plans will not be able to pay their medical bills as they may not be able to cover their high deductible.

Disproportionate Share and Hospital Provider Fees

The Members of the Obligated Group participate in the Colorado Disproportionate Share Hospital Program which distributes federal DSH payments to providers that serve a disproportionate number of Medicaid and low-income patients. The annual payments received by the Members of the Obligated Group are generally based on the cost of uncompensated charity care. Pursuant to authority granted in the Colorado Health Care Affordability Act (the "CHCA Act"), the Department of Health Care Policy and Financing collects a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the fiscal years ended June 30, 2017 and 2016, the Members of the Obligated Group were charged \$129.6 million and \$114.3 million, respectively, in hospital provider fees and received \$202.1 million and \$195.9 million, respectively, from the State as compensation for indigent and underinsured care services. Beginning July 1, 2017, the Colorado hospital provider fee system was transitioned to an enterprise called

the Colorado Healthcare Affordability and Sustainability Enterprise (“CHASE”). For hospitals, CHASE will function similarly to the prior program, but is intended to protect against cuts to the program as a result of State constitutionally mandated revenue caps.

The Affordable Care Act mandated cuts to Medicaid DSH payments and Medicaid DSH allotments to each state to account for anticipated reductions in uninsured individuals and uncompensated care. The Medicaid DSH payment reduction schedule has been delayed by various legislation, including the Bipartisan Budget Act of 2018 (the “BBA 2018”), which delayed the Medicaid DSH cuts until fiscal year 2020. The BBA 2018 maintains a \$4 billion reduction (consistent with current law) and increases the annual DSH reduction to \$8 billion per year from 2021 through 2025.

Under the provisions of the Affordable Care Act, beginning in federal fiscal year 2014, hospitals receiving DSH payments from Medicare (i.e., those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) had their DSH payments reduced. The reductions are adjusted by additional payments based on the volume of uninsured and uncompensated care provided by each such hospital.

See “REGULATION OF THE HEALTH CARE INDUSTRY—Medicare Reimbursement” and “—Medicaid Reimbursement” for a background of DSH funding. Such reductions in DSH payments and allotments could have a negative effect on the revenue of the Obligated Group.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. The Affordable Care Act shifts payments from paying for volume to paying for value, based on various health outcome measures, reporting requirements and quality and efficiency metrics. Published rankings such as Medicare’s “Hospital Compare” quality ranking systems, score cards,” tiered hospital networks with higher copayments and deductibles for nonemergent use of lower-ranked providers, “pay for performance” and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Members of the Obligated Group. Measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology are becoming increasingly common. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

The Affordable Care Act includes “value-based purchasing” provisions, including hospital performance scores, aimed at tying Medicare provider payments more closely to efficiency and quality outcomes. The value-based purchasing program to date has been based largely on core measure performance and patient experience but recently measures were added for Acute Myocardial Infarction, heart failure and pneumonia. These provisions are expected to increase the importance of hospital performance data, which will be publicly available on the Hospital Compare website. See “REGULATION OF THE HEALTH CARE INDUSTRY—Medicare Reimbursement—*Part A Reimbursement of Inpatient Services.*” Some of the specific performance measures could be problematic in their application to teaching and research hospitals such as the Authority.

Private Health Plans and Managed Care

Most private health insurance coverage is provided by various types of “managed care” plans, including HMOs and PPOs. HMOs and PPOs generally use discounts and other economic incentives to reduce or limit the utilization of or payment for health care services, including contracting with hospitals on an “exclusive” or a “preferred” provider basis. Under an exclusive provider plan, which includes most HMOs, private payors limit coverage to those services provided by selected hospitals. With this contracting authority, private payors direct patients away from nonselected hospitals by denying coverage for services provided by them. In addition, the current trend of consolidation in the health insurance industry may increase the leverage of commercial insurers when negotiating rates with health care providers. Large health insurers that assume dominant positions in local markets might threaten to increase health insurer concentration, reduce competition and decrease choice.

There is no assurance that Members of the Obligated Group will maintain managed care contracts, existing rates or obtain other similar contracts in the future. Failure to maintain contracts could have the effect of reducing the market share of the Members of the Obligated Group and the Obligated Group’s gross patient revenue. Conversely, participation may maintain or increase the patient base but could result in lower net income or operating losses to the Obligated Group if the Obligated Group Members are unable to adequately contain their costs.

Most PPOs, HMOs and contracted insurance providers currently pay hospitals on a discounted fee for service basis, or on a case rate or a fixed rate per day of care. Discounts may result in payment at less than actual cost and the volume of patients directed to a hospital under an HMO or PPO contract or under a contracted insurance arrangement may vary significantly from projections. Some HMOs offer or mandate a “capitation” payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is “assigned” to or otherwise directed to receive care at a particular hospital. In a capitated payment system, the hospital assumes a financial risk for the cost and scope of care given to such HMO enrollees for the term of the contract. In addition to this standard managed care risk sharing approach, private health insurance companies are increasingly adopting various additional risk sharing/cost containing measures, sometimes similar to those introduced by government payors. Commercial insurers are also adopting total cost of care and pay for performance strategies with providers. Providers may expect health care cost containment and its associated risk sharing to continue to increase in the coming years amongst all payors. The growth of PPOs, HMOs and alternative delivery systems may require the Members of the Obligated Group to substantially reduce their charges to service members of such plans, and any such reduction in charges could materially adversely affect the Obligated Group’s operating revenue.

Often, HMO contracts are enforceable for a stated term, regardless of losses by the provider and may require that the provider care for enrollees for a certain time period, regardless of whether the HMO is able to pay the provider. Contracting hospitals may also from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

Health care cost sensitivity has also caused more employers to provide all or part of their employee health insurance costs through self-insurance mechanisms and self-insured employers are increasingly using aggressive tactics and third party administrators to shop for discounts. Not all State laws, such as timely payment regulations, apply to the self-insured market, and self-insured employers are not always as financially stable as larger, State regulated health plans.

Increases in deductibles and co-payments and increased offerings of HSAs for employer-provided insurance may also result in increased delays and difficulties in collecting hospital reimbursement.

In consideration of the factors discussed above, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

Accountable Care Organizations

The Affordable Care Act established a Medicare Shared Savings Program that is intended to create shared savings incentives for Medicare providers to coordinate patient care across a range of settings. The program allows hospitals, physicians and others to form Accountable Care Organizations (“ACOs”) and work together to invest in infrastructure and redesign integrated delivery processes. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program and, depending on their participation status, may share in a portion of any losses suffered by the Medicare program. HHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs. The program also emphasizes evidenced-based medicine protocols, patient engagement and reporting of quality measures. The “payment bundling” provides for the sharing of savings resulting from setting a single “bundled” Medicare payment for an “episode of care,” in order to align incentives for providers across care settings. In November 2011, CMS published the final rules regarding ACOs and in June 2015, CMS issued a final rule to update and improve policies governing the Medicare Shared Savings Program. The regulations are complex and uncertainty remains as to their implementation. Some providers are pursuing and obtaining ACO status but it is not clear yet whether the investment is warranted by increased reimbursement. In June 2016, CMS issued rules that aims to revise the benchmark rebasing calculations for ACOs. The revised benchmark rebasing calculations have a delayed onset and would not apply to the earliest ACOs until the start of their third participation agreement in 2019. CMS is developing more advanced ACO payment models, such as the Next Generation ACO Model, which require ACOs to assume greater risk for attributed beneficiaries. It is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change. Providers participating in the Medicare Share Savings Program and other ACO payment models developed by CMS may not be able to recoup their investments and may suffer further losses if they are not able to meet quality targets and sufficiently control the cost of care for their attributed beneficiaries. In addition, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change. The potential impacts of these initiatives and the regulation of ACOs are unknown and continually evolving, but introduce greater risk and complexity to health care finance and operations. The Members of the Obligated Group are not currently participating in any Accountable Care Organizations. However, the potential impacts of the program and other similar initiatives are unknown and continually evolving, but introduce greater risk and complexity to health care finance and operations.

Bundled Payment Programs

The Affordable Care Act established a voluntary Medicare bundled payment pilot program, under which Medicare will make a single payment for an episode of care, such as heart bypass surgery, covering some combination of hospital, physician and post-hospital care for the episode. CMS has also developed mandatory bundles payment programs for certain clinical conditions. Private insurers are also developing bundled payment programs. While bundled payments offer opportunities to provide better coordinated care and to save costs, they also entail financial risk if the episode is not well managed.

Integrated Delivery Systems

Health facilities and health care systems may own, control or have affiliations with relatively large physician groups and independent practice associations. For a description of certain of these

affiliations, see Appendix A. Frequently the sponsoring health facility or health system will be the capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. As separate operating units, integrated physician practices and medical foundations sometimes operate at a loss and require subsidy or other support from the related hospital or health system. In addition, integrated delivery systems present business challenges and risks. Inability to attract or retain participating physicians may negatively affect managed care, contracting and utilization. The technological and administrative infrastructure necessary both to develop and operate integrated delivery systems and to implement new payment arrangements in response to changes in Medicare and other payor reimbursement is costly. Hospital may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

These types of alliances are likely to become increasingly important to the success of hospitals as a result of changes to the health care delivery and reimbursement systems that are intended to restrain the rate of increases of health care costs, encourage coordinated care, promote collective provider accountability and improve clinical outcomes. The Affordable Care Act authorizes several alternative payment programs for Medicare that promote, reward or necessitate integration among hospitals, physicians and other providers.

Whether these programs will achieve their objectives and be expanded or mandated as conditions of Medicare participation cannot be predicted. However, Congress and CMS have clearly emphasized continuing the trend away from the fee-for-service reimbursement model, which began in the 1980s with the introduction of the prospective payment system for inpatient care, and toward an episode-based payment model that rewards use of evidence-based protocols, quality and satisfaction in patient outcomes, efficiency in using resources, and the ability to measure and report clinical performance. This shift is likely to favor integrated delivery systems, which may be better able than stand-alone providers to realize efficiencies, coordinate services across the continuum of patient care, track performance and monitor and control patient outcomes. Changes to the reimbursement methods and payment requirements of Medicare, which is the dominant purchaser of medical services, are likely to prompt equivalent changes in the commercial sector, because commercial payors frequently follow Medicare's lead in adopting payment policies.

While payment trends may stimulate the growth of integrated delivery systems, these systems carry with them the potential for legal or regulatory risks. Many of the risks discussed in "REGULATION OF THE HEALTH CARE INDUSTRY" below may be heightened in an integrated delivery system. Current laws, in many respects, were not designed to accommodate coordinated action among hospitals, physicians and other health care providers to set standards, reduce costs and share savings, among other things. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by healthcare fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization. In October 2011, CMS, the Federal Trade Commission, and the Department of Justice jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program. Although CMS issued the Shared Savings Program final rule in June 2015 (and made changes to this rule in June 2016 and December 2017), there can be no assurance that such waivers or other regulations or guidance issued will

sufficiently clarify the scope of permissible activity in all cases. Although CMS and the agencies that enforce these laws are expected to continue to institute new regulatory exceptions, safe harbors or waivers that will enable providers to participate in payment reform programs, there can be no assurance that such regulations will be forthcoming or that any regulations or guidance issued will sufficiently clarify the scope of permissible activity. State law prohibitions or state law requirements may also introduce complexity, risk and additional costs in organizing and operating integrated delivery systems. Tax-exempt hospitals and health systems also face the risk in affiliating with for-profit entities that the Internal Revenue Service will determine that compensation practices or business arrangements result in private benefit or private use or generate unrelated business income for the hospitals and health systems.

Health care providers, responding to health care reform and other industry pressures, are increasingly moving toward integrated delivery systems, managing the health of populations of individuals, patient-centered medical homes, bundled payments and capitated insurance plans. Some health care organizations that traditionally operated hospitals may, directly or in partnership, take on actual insurance risk, market various health coverage products and access patients by way of new and presently unknown channels. Such new endeavors could adversely affect the financial and operating condition or reputation of an organization.

Physician Financial Relationships, Contracting and Supply

In addition to the physician integration relationships referred to above, hospitals and health systems frequently have various additional business and financial relationships with physicians and physician groups. These are in addition to hospital physician contracts for individual services performed by physicians in hospitals. They potentially include: joint ventures to provide a variety of outpatient services; subsidizing owned or affiliated physician groups; recruiting arrangements with individual physicians and/or physician groups; loans to physicians; medical office leases; equipment leases from or to physicians; and various forms of physician practice support or assistance. These and other financial relationships with physicians (including hospital physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and health systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state “anti-kickback” and federal “Stark” issues, tax exemption issues, as well as other legal and regulatory risks, and these could have a material adverse impact on hospitals.

The Members of the Obligated Group may contract with physician organizations (such as independent physician associations and physician-hospital organizations) to arrange for the provision of physician and ancillary services. Because physician organizations are separate legal entities with their own goals, obligations to shareholders, financial status and personnel, there are risks involved in contracting with the physician organizations.

The success of the Members of the Obligated Group will be partially dependent upon its ability to attract physicians to join the physician organizations and to participate in their networks, and upon the ability of the physicians, including the employed physicians, to perform their obligations and deliver high quality patient care in a cost-effective manner. There can be no assurance that the Members of the Obligated Group will be able to attract and retain the requisite number of physicians or that physicians will deliver high quality health care services. Without paneling a sufficient number and type of providers, the Members of the Obligated Group could fail to be competitive, could fail to keep or attract payor contracts or could be prohibited from operating until its panel provided adequate access to patients. Such occurrences could have a material adverse effect on the business or operations of the Members of the Obligated Group.

Sufficient community-based physician supply is important to hospitals and health systems. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation formulas by CMS could lead to physicians ceasing to accept Medicare and/or Medicaid patients. This may particularly be the case given the significant changes to Medicare physician payments under MACRA. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and health systems may be required to invest additional resources for recruiting and retaining physicians, or may be required to increase the percentage of employed physicians or be compelled to affiliate with and provide support to physicians in order to continue serving the growing population base and maintain market share.

Affiliations, Merger, Acquisition and Divestiture

The Members of the Obligated Group evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Obligated Group reviews the use, compatibility and business viability of many of the operations of the Members, and from time to time the Members may pursue changes in the use of, or disposition of, their facilities. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Members, are held from time to time with other parties. As a result, it is possible that the current organization and assets of the Members may change from time to time. Such transactions may involve the investment of substantial capital resources or other material financial commitments and present a variety of risks, including the risk that any such transactions may be perceived negatively by the investor community and the risks that any financial investments or commitments could result in a deterioration in the financial condition or results of operations of the Obligated Group. There is also the risk that any such acquisitions or transactions could require management of the Obligated Group to dedicate a substantial amount of its time to the process of completing such transactions or, once completed, to the integration of such assets or new entities into the applicable member(s) of the Obligated Group. No such transaction that would be material to the operations or finances of the Obligated Group is currently pending or has been approved by any Obligated Group Member.

In addition to relationships with other hospitals and physicians, the Members of the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health care-related entities that support the overall operations of the Members of the Obligated Group. In addition, the Members of the Obligated Group may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if there is a perceived strategic or operational benefit for the Obligated Group. Any initiative may involve significant capital commitments and/or capital or operating risk in a business in which the Members of the Obligated Group may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to the Obligated Group.

Competitive Environment

The Members of the Obligated Group could face increased competition in the future from other hospitals and hospital systems and from other forms of health care delivery, which could affect the ability of such Members to attract patients, physicians or other staff and adversely affect the revenues of such Members. The development of HMOs and PPOs which do not use the facilities of the Members of the Obligated Group or which are able to contract for lower-priced services could also result in decreased utilization of the services provided by the Members of the Obligated Group. Entry of additional providers

of health care or healthcare system consolidation in the Obligated Group's service area is not currently limited by any State requirement of need determination, although the governor of the State said that he is considering reintroducing such a program in the State. See "SYSTEM SERVICE AREA AND COMPETITION—System Service Area Providers" in Appendix A. It is not known what effect a certificate of need program might have on the Members of the Obligated Group.

Existing and potential competitors may not be subject to various restrictions applicable to hospitals, which in some cases may enable them to engage in only the most profitable service lines, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Specialty health care facilities or ventures that attract an important segment of an existing hospital's admitting specialists and services that generate significant revenue may be particularly damaging. For example, some large hospitals may have significant dependence on cardiovascular and/or orthopedic surgery programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant component of such a hospital's cardiovascular or orthopedic surgeons develop their own specialty hospital or surgery center (alone or in conjunction with a specialty hospital operator or promoter, the number of which is growing) taking with them their patient base, a hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty entity, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could be materially adverse to a hospital. A variety of proposals have been advanced to permanently prohibit such investments. Nonetheless, a prior governmental moratorium on certain specialty hospitals has been lifted, and therefore specialty hospitals may continue to represent a competitive challenge for full-service hospitals.

Freestanding ambulatory surgery centers may attract away significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable for hospitals, may be lost to competitors who can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of such business may result in the significant reduction of profitable income. Competing ambulatory surgery centers, more likely a for-profit business, may not accept indigent patients or low paying programs and would leave these populations to receive services in the hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Risks Associated With the Provision of Uncompensated Care

Although the Members of the Obligated Group have and will continue to maximize payment or reimbursement for the care they provide it is an important part of their mission to provide uncompensated care to the medically indigent. In addition to the Authority's obligations under the Act to provide care without regard to ability to pay, obligations to provide uncompensated care can be derived from anti-dumping, emergency care, continuity of care and other laws that might apply to the Members of the Obligated Group. See "REGULATION OF THE HEALTH CARE INDUSTRY—Fraud and Abuse Laws

and Regulations.” See also “—Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption” below under this caption as to additional requirements and limitations for nonprofit hospitals under the Affordable Care Act. Also, many nonprofit hospitals have been and are subject to litigation attempting to establish obligations to provide uncompensated care based on the tax-exempt status of the hospital under federal or state law. Increased unemployment or other adverse economic conditions could increase the proportion of patients who are unable to pay all or any of the cost of their care. The expansions of health insurance coverage and Medicaid eligibility under the Affordable Care Act have reduced the uncompensated care burden on the Members of the Obligated Group, although such reductions may be offset in the future by reductions in DSH payments to Members of the Obligated Group. See “—Legislative and Regulatory Changes; Health Care Reform” above.

Environmental Factors Affecting the Health Care Industry

Health care facilities and operations are subject to a wide variety of federal, state and local environmental and occupational and safety laws and regulations. Among the types of regulatory requirements faced by health care providers are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the health facilities; and requirements for training employees in the proper handling and management of hazardous materials and wastes. In their role as owners and operators of properties or facilities, health care providers may be subject to liability for investigating and remedying hazardous substances located on or migrating from their property. Typical health care operations include, in various combinations, the handling, use, storage, transportation, disposal and discharge of infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. For this reason, health care operations are particularly susceptible to the practical, financial and legal risks associated with such environmental and safety laws and regulations, and noncompliance may result in damage to individuals, property or the environment; may interrupt operations or increase their cost, or both; may trigger investigations, administrative proceedings, penalties or other government agency actions; and may result in legal liability, including damages, injunctions or fines, some or all of which may not be covered by insurance. There can be no assurance that the operations or financial condition of the Members of the Obligated Group will not be materially adversely affected by such environmental and safety risks.

Management of the Obligated Group is not aware of any pending or threatened claim, investigation or enforcement action regarding environmental matters which management believes will have a material adverse impact on the Obligated Group.

Information Systems

The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future. Such efforts could be costly and are subject to cost overruns and delays in application, which could negatively affect the financial condition of the Obligated Group.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. Technology malfunctions, malware or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. A number of health care providers have recently been the victims of hacker attacks with ransomware, in which hackers attempt to extort money in exchange for returning the provider's systems to normal. In addition to regulatory fines and penalties, the health care entities subject to the breaches may be liable for the costs of remediating the breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers. See "REGULATION OF THE HEALTH CARE INDUSTRY—Electronic Transmission of Health Information; Privacy and Security Regulations."

Federal and state authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including Colorado, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike federal laws, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could damage a health care provider's reputation and materially adversely affect business operations.

Despite the implementation of network security measures by the Members of the Obligated Group, their information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Members of the Obligated Group to provide health care services.

Increasing Cost of Modern Technology

Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain technologically current. Moreover, the growth of e-commerce may also result in a shift in the way that health care is delivered, (i.e., from remote locations). For example, physicians will be able to provide certain services over the internet and pharmaceuticals and other health services may be purchased online. If, due to financial constraints, the Members of the Obligated Group were less able to acquire new equipment required to remain technologically current, the operations and financial condition of the Members of the Obligated Group could be materially adversely affected.

Nonprofit Health Care Environment

The significant tax benefits received by nonprofit, tax-exempt hospitals have increasingly caused the business practices of such hospitals to be subject to scrutiny by public officials and the press, and to political and legal challenges of the ongoing qualification of such organizations for tax-exempt status. Multiple governmental authorities, including state attorneys general, the Internal Revenue Service (the “IRS”), Congress and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and health systems and raised questions about their practices. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, methods of providing and reporting community benefit, executive compensation, exemption of property from real property taxation, private use of facilities financed with tax-exempt bonds and others. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex multi-hospital health care organization. Hospitals or other health care providers may be forced to forego otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements in order to maintain their tax-exempt status. The IRS imposes certain reporting requirements on hospitals and health systems, including through Schedule H, Schedule J and Schedule K of the Form 990. Proposals to increase the regulatory requirements for nonprofit hospitals’ retention of tax-exempt status, such as by establishing a minimum level of charity care, have also been introduced repeatedly in Congress. These challenges and examinations, and any resulting legislation, regulations, judgments or penalties, could materially change the operating environment for nonprofit providers and have a material adverse effect on the Members of the Obligated Group. Significant changes in the obligations of nonprofit, tax-exempt hospitals and challenges to or loss of the tax-exempt status of nonprofit hospitals generally, or Members of the Obligated Group in particular, could have a material adverse effect on the Obligated Group. See “–Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption” below.

Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption

The tax-exempt status of interest on the Bonds depends upon maintenance by UCHealth, Poudre Valley, MCR, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center and Poudre Valley Medical Group, LLC (collectively, the “501(c)(3) Obligated Group Members”) of their status as organizations described in Section 501(c)(3) of the Code. Each 501(c)(3) Obligated Group Member has received a letter from the IRS confirming such tax-exempt status. In order to maintain that status, each 501(c)(3) Obligated Group Member is required to comply with current and future IRS regulations and rulings governing tax-exempt health care facilities. The 501(c)(3) Obligated Group Members have covenanted under the Tax Regulatory Agreement not to perform any acts or enter into any agreements which would adversely affect such 501(c)(3) status.

In order to maintain their tax-exempt status under federal law, the 501(c)(3) Obligated Group Members must not be operated to any substantial degree for the benefit of private individuals and may not allow their earnings to inure to the benefit of any individuals having a personal and private interest in their organizations or operations. These proscriptions, in practice, regulate business dealings between hospitals and physicians. Tax-exempt hospitals generally are required to demonstrate that their business dealings with physicians benefit the community served by the hospital independently from any direct benefit received by the hospital itself. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building

leases, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS. The 501(c)(3) Obligated Group Members are not presently being challenged or investigated by the IRS with respect to these matters.

The IRS has reaffirmed, in the context of federal Medicare and Medicaid anti-kickback laws, the principle that violation of criminal statutes is inconsistent with continued recognition of an organization's tax-exempt status. Thus, the tax-exempt status of a nonprofit hospital could be subject to revocation if the entity were determined to have violated federal or state anti-kickback laws by providing illegal remuneration to physicians in exchange for the referral of Medicaid or Medicare patients or to have otherwise violated state anti-kickback laws or federal laws restricting referrals. See "REGULATION OF THE HEALTH CARE INDUSTRY—Fraud and Abuse Laws and Regulations."

The Affordable Care Act imposed certain additional requirements for 501(c)(3) organizations operating nonprofit hospitals (such as the 501(c)(3) Obligated Group Members), codified under Section 501(r) of the Code. Such organizations must conduct periodic community health needs assessments and must include an implementation report with their annual Form 990 information returns. They must also adopt formal financial assistance and emergency treatment policies; may not charge more for care to those who qualify for financial assistance and may not pursue certain collection actions without making a determination as to financial assistance eligibility; and must include Audited Financial Statements with their Form 990 annual information returns. Failure of a 501(c)(3) organization operating a nonprofit hospital to complete the required community health needs assessment may result in imposition of a \$50,000 excise tax or revocation of its tax-exempt status. Form 990 information is to be reviewed by the Department of the Treasury at least once every three years, and the Department of the Treasury is also required to provide related reports to Congress. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

On December 29, 2014, the Secretary of the Treasury issued final regulations under Section 501(r) of the Code that provide detailed and comprehensive guidance relating to requirements for community health needs assessments, financial assistance policies, emergency medical care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to satisfy Section 501(r) requirements. These final regulations are complex and may be administratively burdensome to implement. Generally, the regulations apply to tax years beginning after December 29, 2015, and provide that a hospital organization may rely on a reasonable, good faith interpretation of the Section 501(r) requirements for tax years beginning on or before December 29, 2015, which may include compliance with certain prior proposed regulations under Section 501(r).

Taxing authorities in certain state and local jurisdictions have sought to impose or increase property taxes, sales and use taxes, and other taxes related to the property and operations of nonprofit organizations, including hospitals, particularly where such authorities are dissatisfied with the amount of service provided to indigent patients. At the federal level, however, the IRS has ruled that the tax exempt status of nonprofit hospitals is based on a variety of factors but is not dependent upon their acceptance of patients who cannot pay. It is possible that future administrative or judicial proceedings or legislation could have the effect of requiring nonprofit institutions to increase their services to indigent patients to retain their tax-exempt status. In the recent past, legislation was introduced in Congress that would make a hospital's tax-exempt status hinge on the extent of its care to indigents, but the bills have not been made into law.

Legislative proposals which could have an adverse effect on the Obligated Group include: (i) any changes in the taxation of nonprofit corporations or in the scope of their exemption from income or property taxes; (ii) limitations on the amount or availability of tax-exempt financing for tax-exempt corporations recognized under the Code; (iii) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services; (iv) a requirement that nonprofit health care institutions pay real estate property tax and sales tax on the same basis as for-profit entities; (v) a mandate regarding certain levels of free or substantially reduced care that must be provided to low income uninsured and underinsured populations; and (vi) the placement of ceilings on executive compensation of nonprofit corporations.

The IRS has audit guidelines which implement a policy to scrutinize more closely the activities of hospitals to ensure that they satisfy the requirements for tax-exempt status. Given these audit guidelines and other related pronouncements by the IRS, it may be more difficult for hospitals to maintain their tax exempt status. Hospitals or other health-care providers may be forced to forgo otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements to maintain their tax exempt status or to avoid other sanctions.

If the IRS were to find that a 501(c)(3) Obligated Group Member has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by even one 501(c)(3) Obligated Group Member potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt of the Obligated Group and defaults in covenants regarding the Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Members of the Obligated Group. For these reasons, loss of tax-exempt status of any 501(c)(3) Obligated Group Member could have a material adverse effect on the financial condition of the Obligated Group, taken as a whole.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt hospitals entered into settlement agreements requiring the hospital to make substantial payments to the IRS.

Covenant To Maintain Tax-Exempt Status of the Bonds

The tax-exempt status of interest on the Bonds, as described under "TAX MATTERS" herein, is based on the continuing compliance by the Members of the Obligated Group with certain covenants contained in the Bond Indentures and the Tax Regulatory Agreement and the reporting of certain information to the United States Treasury. These covenants relate generally to restrictions on the use of facilities financed or refinanced with proceeds of the Bonds, restrictions on leasing or selling such financed or refinanced facilities to organizations other than tax-exempt organizations, continuation by the 501(c)(3) Obligated Group Members of their 501(c)(3) status, requirements regarding the timely and proper use of proceeds of the Bonds, arbitrage limitations and rebate of certain excess investment earnings, if any, to the federal government. Failure to comply with any of these covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds. In such an event, the Bond Indentures do not provide for payment of any additional interest on the Bonds, redemption of the Bonds or acceleration of the payment of debt service on the Bonds.

There can be no assurance that a response by a Member of the Obligated Group to an IRS compliance questionnaire or a Form 990 will not lead to an IRS review that could adversely affect the market value of the Bonds or of other outstanding tax-exempt indebtedness of the Obligated Group.

Additionally, the Bonds or other tax-exempt obligations issued for the benefit of the Obligated Group Members may be, from time to time, subject to examinations or audits by the IRS.

Current and future legislative proposals, if enacted into law, could cause interest on the Bonds to be subject to federal income taxation or state income taxation. See “TAX MATTERS” herein.

Tax-Exempt Bond Examinations

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. The IRS included a schedule to the Form 990 return (Schedule K), effective for the 2009 tax year and thereafter, to address what the IRS believed to be significant noncompliance with recordkeeping and record retention requirements for tax-exempt bonds. Schedule K also requires tax-exempt organizations to report on the investment and use of tax-exempt bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of bond-financed facilities. Most tax-exempt organizations must also complete Schedule J, which requires reporting of compensation information for the organizations’ officers, directors, trustees, key employees, and other highly compensated employees. A nonprofit organization that does not satisfy all of its IRS reporting requirements could jeopardize its tax-exempt status.

Challenges to Real Property Tax Exemptions

The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities continue to be challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins and operations that closely resemble for-profit businesses. Several of these disputes have been determined in favor of the taxing authorities or have resulted in settlements.

Risks Regarding Liquidity Facilities

As of the date of this Official Statement and giving effect to the issuance of the Bonds the Authority will have \$151,435,000 of outstanding obligations which are supported by liquidity facilities (“Liquidity Support Facilities”), which as of this date are represented solely by the Bonds and the Initial Liquidity Facilities. The obligations which are supported by Liquidity Support Facilities are subject to the risk of expiration and non-renewal of the related Liquidity Support Facilities and the inability of the Obligated Group to find replacement Liquidity Support Facilities. In addition, there can be no assurance that the providers of such Liquidity Support Facilities will be financially able to meet their respective contractual obligations thereunder, whether as a result of bankruptcy, insolvency, or other events adversely affecting their creditworthiness. In addition, in certain instances, the obligations of the providers of Liquidity Support Facilities may be terminated or suspended without notice. In addition, liquidity support is provided by a Self-Liquidity Arrangement with respect to \$154,625,000 in principal amount of obligations (including the Series 2018A Bonds) whereby the Authority and the Obligated Group are required to pay the purchase price of such obligations if they are not remarketed by any remarketing agent with respect thereto. Any non-renewal of a Liquidity Support Facility, any inability of the provider of a Liquidity Support Facility to meet its obligations thereunder and any rating downgrade associated therewith or with respect to the Authority and the Obligated Group with respect to obligations supported by a Self-Liquidity Arrangement could have an adverse effect on Holder of the Bonds.

Certain Risks Relating to the Initial Liquidity Facilities

Timely payment of the purchase price of tendered Bonds of a Series may be dependent upon the availability of the funds under the applicable Initial Liquidity Facility. See “THE INITIAL LIQUIDITY FACILITIES AND THE INITIAL LIQUIDITY FACILITY PROVIDER” herein for a discussion of events that would cause an immediate termination or an immediate suspension of the Initial Liquidity Facilities.

In the event of a material credit or capital impairment or the insolvency of the Initial Liquidity Facility Provider, there is no assurance that the Initial Liquidity Facility Provider will be able to fulfill its obligations under the Liquidity Facilities.

Other Factors Generally Affecting the Obligated Group

In the future, the following factors, among others, may affect the operations, facilities and financial performance of the Members of the Obligated Group to an extent that cannot be determined at this time:

- Medical and scientific advances, pressures for efficiency generated by health care reform measures, the development and requirement of the option for HMOs and PPOs in labor contracts, governmental and other health plans, preventive medicine, improved occupational health and safety, improved outpatient care and telemedicine could result in decreased usage of inpatient hospital facilities. Also, as medical technology becomes more sophisticated and costly, the Members of the Obligated Group could encounter problems with availability, financing or operation of technology, which could adversely affect utilization.
- Competition from other health care providers now or hereafter located in the service area of the Obligated Group could adversely affect their operations. See “SYSTEM SERVICE AREA AND COMPETITION” in Appendix A. Such competition includes physicians directly providing outpatient services.
- The Obligated Group could be adversely affected by general economic trends (including increases in unemployment) and by changes in the demographics of its service area. Difficulties in increasing charges and other fees, while at the same time maintaining scope and quality of health services, may affect the ability of the Members of the Obligated Group to maintain sufficient operating margins. See “—General Economic Conditions; Bad Debt, Indigent Care and Investment Performances” above under this caption.
- A shortage of qualified professional personnel, including physicians and nurses, could limit operations and/or significantly increase payroll costs. As hospitals and other health care providers transition to a population health model of care delivery, there is expected to be a greater need for care coordinators and such need may outpace the supply of qualified personnel. In addition, state budget cuts to university programs may impact the training available for nursing personnel and other health care professionals. Competition for physicians and other health care professionals, coupled with increased recruiting and retention costs, may increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals and other health care providers. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and benefit costs may further strain the supply of those professionals. The Obligated Group cannot control the prevailing wage rates in its service area, and any increase in such rates will directly affect its costs of operations. There have been efforts in

some states to introduce legislation limiting a hospital's ability to require nurses to work overtime and to mandate minimum nurse-patient staff ratios. Such legislation, if enacted in the State, could raise the Obligated Group's cost of doing business.

- The Members of the Obligated Group have been successful in maintaining the desired complement of physicians on their respective medical staffs; however, no assurance can be given that such physician staffing will be continuously maintained in the future. Changes in the number, composition or admitting practices of such medical staffs could affect the applicable hospital's reputation or services and thus its operations and revenues. Physicians who are denied medical staff membership or certain clinical privileges, or who have such membership or privileges curtailed, denied or revoked, often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of hospital management to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

- The Obligated Group may be adversely affected by the possible inability to obtain future governmental approvals to undertake projects which it deems necessary to remain competitive as to rates and charges and to maintain the quality and scope of care. Colorado statutes presently provide for Attorney General review of transactions including the sale or other disposition of 50% or more of the assets of a nonprofit hospital to either a nonprofit or for-profit entity. Although the Obligated Group is not now considering any sale transaction covered by these statutes (either as buyer or seller), such review procedures could interfere with the Obligated Group's plans developed in the future.

- Any changes in the Colorado Governmental Immunity Act could affect the ability of, and the cost to, the Authority to insure or otherwise protect itself against malpractice claims. The other Members of the Obligated Group could be adversely affected by unavailability or the prohibitive cost of malpractice and other insurance. The cost of paying claims in excess of insurance coverage could directly adversely affect operating results. In addition, the bankruptcy or insolvency of an insurance company which provides insurance coverage to a Member of the Obligated Group would cause such Members to be at risk for claims which would have been covered by such insurance without adequate liabilities having been recorded on such Member's balance sheets. See "OTHER INFORMATION—Insurance" in Appendix A. In addition to professional liability claims, litigation may also arise from the corporate and business activities of the Members of the Obligate Group, employee-related matters, medical staff matters and denials of medical staff membership and privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some claims, business disputes and workers' compensation claims may not be covered by insurance or other sources and, in whole or in part, may be a liability of an Obligated Group Member if determined or settled adversely. Claims for punitive damages may not be covered by insurance under certain state laws. Although the Members of the Obligated Group currently maintain actuarially determined self-insurance reserves and carry excess malpractice and general liability insurance which management considers adequate, management is unable to predict the future availability, cost or adequacy of such insurance.

- Consumer class action litigation is a potentially significant source of litigation liability for hospitals and health care providers. These class action suits frequently focus on hospital billing and collections practices, breaches of privacy and "wage and hour" issues, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve large classes of plaintiffs, they may have material adverse consequences on hospitals and health care providers in the future.

- The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on hospital and health

care provider operations and financial condition. Hospitals are major employers with a complex mix of professional, technical, clerical, housekeeping, maintenance and other types of workers. Large employers bear a variety of risks flowing from employer-employee relationships as well as employee-patient interactions (for example, discrimination claims, tort actions and work-related injuries); some of these risks are not covered by insurance. Nonprofit hospitals such as the 501(c)(3) Obligated Group Members and their employees are under the jurisdiction of the National Labor Relations Board, which has adopted rules permitting collective bargaining units among a hospital's employees. Also, the National Labor Relations Board has ruled that interns and residents can form unions. There are presently no employees, interns or residents of the Members of the Obligated Group represented by a union. Any future unionization of employees, interns or residents could cause an increase in costs of salaries and benefits. Moreover, work stoppages, slowdowns or lockouts could reduce, interrupt or otherwise adversely affect operations of the Members of the Obligated Group.

- The State does not presently have a program for the regulation or review of the rates charged for hospital services furnished to private-paying patients. If such a program were established, or if wage or price controls were otherwise imposed with respect to the health care industry, such developments could have an adverse effect on the Obligated Group's revenue. Also, the absence of any State certificate of need program could facilitate the entry of competing health care providers into the Obligated Group's service area. In recent remarks, the governor of the State said that he is considering reintroducing a certificate of need program in the State. It is not known what effect such a program might have on the Members of the Obligated Group.

- The 501(c)(3) Obligated Group Members could be adversely affected by changes in law or rulings imposing indigent care requirements as a condition of maintaining state or federal tax-exempt status, or by other efforts of taxing authorities to impose taxes related to the property or operations of nonprofit organizations. See “—Internal Revenue Service Policy Regarding Maintenance of 501(c)(3) Tax Exemption” above.

- Substantial liabilities under federal and state antitrust laws and other trade regulations may arise in connection with a wide variety of activities, including joint ventures; merger, acquisition, and affiliation activities; payor contracting; certain pricing and salary setting activities; and relationships with physicians, including medical staff credentialing. The application of antitrust laws to health care is evolving, and enforcement activity appears to be increasing. Antitrust violations may be subject to criminal and/or civil enforcement actions by government agencies as well as by private litigants. Integration incentives under the Affordable Care Act may come into conflict with this increased antitrust enforcement pressure.

- No Member of the Obligated Group will grant a mortgage on any of its properties or facilities in connection with the issuance of the Bonds. Also, no title insurance on any of the Obligated Group's properties or facilities was secured in connection with the Bonds. The Authority's Property may not, under the Act, be transferred by the Board of Directors of the Authority to any entity other than the Regents; accordingly, the sale of the Authority's Property to raise moneys upon a default is not, under present law, legally permissible.

- Natural disasters or acts of terrorism, including bioterrorism, could result in the Members of the Obligated Group providing significant unreimbursed services, as well as causing property damage, employee injury and service interruptions. The occurrence of a public health emergency or crisis, including an unexpected widespread outbreak of a contagious virus such as Ebola, Zika, or H1N1, may put stress on the capacity of part or all of the facilities of the Members of the Obligated Group, could require that resources be diverted from one part of the operations of the Members of the Obligated Group

to another part, or could impair the operation of part or all of the facilities of the Members of the Obligated Group.

- Changes in the Act by the State legislature (for example, requiring the Authority to provide increased indigent care at reduced rates or without charge, requiring the Authority to discontinue services previously provided or prohibiting the Authority from discontinuing services), or changes in the Operating Agreement or other agreements with the Regents (which could only occur with Authority consent), could expand or otherwise change the mission of the Authority in a manner which adversely affects its ability (and potentially the ability of the Obligated Group as a whole) to generate revenue sufficient to cover related costs or to comply with the covenants in the Master Indenture concerning the minimum debt service coverage ratio.

- The Members of the Obligated Group have significant amounts of long-term investments. Both the market value of those assets and the amount of investment income generated by such investments are subject to market fluctuations. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Investment Policy and Investment Allocation” in Appendix A.

- Certain bonds issued for the benefit of the Obligated Group Members, including the Bonds, are variable rate obligations, and the Obligated Group Members may in the future issue other variable rate obligations secured under the Master Indenture, the interest rates on which could rise. The protection against rising interest rates is limited by, among other things, market conditions and limitations contained in any related transaction documents governing the redemption or conversion of the variable rate obligations to bear interest at fixed rates. In addition, certain of the variable rate bonds, including the Bonds, are subject to optional and mandatory tender for purchase under certain circumstances. In that case such bonds would need to be remarketed or refinanced and such remarketing or refinancing could be limited by market conditions and the financial condition of the Members of the Obligated Group at the time of any such required refinancing.

- As large employers, hospitals and health care providers may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers’ compensation benefits. Plans are often underfunded or may become underfunded, and funding obligations, in some cases, may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Retirement and Pension Plans” in Appendix A for a discussion of the Authority’s pension plans.

Reentry and Reversion Risks

U.S. Department of Education Reentry and Reversion Rights—Anschutz Medical Campus. As described in Appendix A, the Authority’s primary medical care campus is on land leased from the Regents of the University of Colorado, which in turn received the land from the U.S. Department of Education (“DOE”) pursuant to a quit-claim deed subject to certain re-entry and reversion rights. Each Quitclaim Deed for property transferred to the Regents, which includes approximately 46 acres of the 57 acres leased to the Authority pursuant to the Fitzsimons Ground Lease, has been made for nominal consideration, subject to certain conditions subsequent. The Fitzsimons Ground Lease is for a term running through 2102, with two additional renewal terms at the option of the Authority. Rent is one dollar per year for the term running through 2102, and then one hundred dollars per year thereafter. The conditions subsequent contained in the “Quitclaim Deeds” include the following: (i) for a period of 30 years from the date of the deed, the property must be used solely and continuously for educational purposes in accordance with the programs proposed by the Regents in their application; (ii) during the 30 year period the Regents may not sell, resell, lease, rent, mortgage, encumber or otherwise transfer any

interest in any part of the property except as authorized by the DOE; (iii) one year from the date of the deed and biennially thereafter for the period of 30 years, unless DOE directs otherwise, the Regents must file with DOE a report on the operations and maintenance of the property and must furnish, as requested by DOE, such other pertinent information evidencing its continuous use of the property as required by condition (i) above; (iv) during the period of 30 years, the Regents must at all times be and remain a tax supported institution or a nonprofit institution, organization or association exempt from taxation under Section 501(c)(3) of the Tax Code; (v) for the period during which the property is used for the purposes described in the deed, or for another purpose involving the provision of similar services or benefits, the Regents have agreed to comply with the requirements of (A) Title VI of the Civil Rights Act of 1964 (P.L. No. 88-352), 42 U.S.C. §2000d *et seq.*; (B) Title IX of the Education Amendments of 1972 (P.L. No. 92-318), 20 U.S.C. §1681 *et seq.*; §504 of the Rehabilitation Act of 1973 (P.L. No. 93-112), 29 U.S.C. §794 *et seq.*; and all requirements imposed by or pursuant to the regulations (34 C.F.R. Parts 12, 100, 104 and 106) issued pursuant to the Federal Property and Administrative Services Act of 1949, as amended, to the end that no person in the United States shall, on the ground of race, color, national origin, sex, or handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the program or plan submitted by the Regents to DOE.

The DOE has reserved the right to reenter the deeded property or to revert title in the case of any failure by the Regents to comply with the conditions described in (i), (ii), (iii) and (iv) of the preceding paragraph for a period ending 31 years after the date of conveyance. The DOE also has an unlimited right to reenter and revert title for breach of any of the conditions stated in part (v) above. The Authority's rights under the Fitzsimons Ground Lease have been made expressly subordinate to all of the rights of DOE set forth in the Quitclaim Deed pursuant to which title to the property was conveyed to the Regents, including the rights of reentry and reversion described above. In the event of the breach of any of the conditions subsequent or any other terms or covenants of any such Quitclaim Deed, the United States may record a right of entry and upon such recording the property shall revert to the United States.

Regents' Right of Reverter—Anschutz Medical Campus. The Fitzsimons Ground Lease limits the use of the property for health care, research and educational facilities in support of its statutory mission and related support facilities; provided, that the amendment which added a 4.24 acre parcel in 2006 permits the Authority to sublease portions of the facility on that site (the Leprino Office Building and related parking structure), including retail space. The Fitzsimons Ground Lease also contains covenants regarding insurance, condemnation and the use of the proceeds thereof, limitations on subleasing (consistent with the requirements of the Quitclaim Deeds), compliance with laws governing operations of facilities, management and disposal of hazardous wastes, payment of taxes and similar provisions. In the event of the breach of any of the terms or covenants of the Fitzsimons Ground Lease, all right, title and interest in the property will revert to the Regents.

Extraordinary Call in the Event of Reversion or Reentry. The Bond Indentures provide that in the event that either the Regents or the United States government exercises a right of reversion or reentry with respect to a substantial portion of the Property of the Obligated Group, the Bonds may, at the election of the Authority, be subject to extraordinary redemption. See "THE BONDS—Redemption." Under present federal tax law, if the United States government were to exercise its right of reverter or reentry (and in some circumstances, if the Regents were to exercise their right of reverter), the exclusion of interest on the Bonds from gross income for federal income tax purposes would be adversely affected unless the Authority exercised its option to redeem the Bonds. There can be no assurance, however, that in the event such reversion or reentry occurs that the Authority and the other Members of the Obligated Group will have sufficient funds to redeem the outstanding Bonds in order to avoid any adverse effect to the tax-exempt status of the Bonds. Further, such reversion or reentry could adversely impact the Obligated Group's operations and ability to pay the principal of and interest on the Bonds as the same become due.

District and MHS Lease Risks

The hospital facilities comprising the Poudre Valley Hospital and the Medical Center of the Rockies are located on land owned by the Health District of Northern Larimer County and leased to Poudre Valley pursuant to a lease agreement (the “District Lease”). The District Lease extends to 2062. The MHS Facilities are owned by the City of Colorado Springs and commencing October 1, 2012 were leased to Poudre Valley (which, after UCH-MHS received a 501(c)(3) determination letter, subsequently assigned the MHS Lease to UCH-MHS) for a term of 40 years to 2052. The ability of the Obligated Group members to utilize these facilities is dependent upon continued compliance with the terms of the District Lease and the MHS Lease, respectively. Breach of the leases could result in a termination of the leases by the District, in the case of the District Lease, and the City, in the case of the MHS Lease. While both leases extend beyond the term of the Bonds, failures to extend the leases could affect the operations of those facilities in the future or could discourage further capital improvements at some point in the future, which in turn could affect the operations of those facilities. See “SYSTEM OPERATING INFORMATION—The PVHS Division Facilities and Operations—*District Lease*” and “SYSTEM OPERATING INFORMATION—The MHS Division Facilities and Operations—*MHS Lease and Integration Agreement*” in Appendix A and Appendix E, “Summary of the MHS Lease.” Upon termination of the District Lease, all buildings and fixtures subject to the District Lease would become property of the District. Upon termination of the MHS Lease, buildings and fixtures subject to the MHS Lease would become property of the City of Colorado Springs, but the City is required by the MHS Lease to pay the lessee an amount equal to the then fair market value of such facilities.

Certain Matters Relating to the Enforceability of the Master Indenture

The accounts of the Members of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to incurrence of Additional Indebtedness) are met, notwithstanding uncertainties as to the enforceability of certain obligations of Members of the Obligated Group contained in the Master Indenture. Such uncertainties bear on the availability of the assets of each Member of the Obligated Group for payment of debt service on the Obligations, including the 2018 Master Note Obligation. The joint and several obligations of the Members of the Obligated Group to make payments in respect of the Obligations (directly or indirectly) may be limited to the extent such payments (i) are requested with respect to any Obligation which is issued for a purpose which is not consistent with the governmental or charitable purposes of such Member, or which is issued for the benefit of any entity other than a government or a nonprofit corporation which is exempt from federal income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and which is not a “private foundation” as defined in Section 509(a) of the Code; (ii) are required to be made from any moneys or assets which are donor restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by such Member (other than the Member which directly benefited from such Obligation); or (iv) are requested to be made pursuant to any loan violating applicable usury laws or State laws relating to governmental Members such as the Authority. Due to the absence of clear legal precedent in this area, the extent to which the assets of any Member of the Obligated Group fall within the category referred to in clause (ii) above cannot now be determined. The amount of such assets which fall within such category could be substantial. The joint and several liability of the Members of the Obligated Group may be further limited by applicable principles of charitable trust law, applicable provisions relating to fraudulent conveyances and bankruptcy, provisions of state nonprofit corporation laws, State laws affecting the powers of governmental entities such as the Authority, and equitable principles, including the principles that such payments may be held to be against public policy.

A Member may not be required to make any payment on an Obligation, or portion thereof, the proceeds of which Obligation were not lent or otherwise disbursed to such Member, to the extent that such payment or use would render the Member insolvent, may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Member, or may be voided by third-party creditors in an action brought pursuant to any applicable state fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (i) the guarantor has not received fair compensation or reasonably equivalent value in exchange for the guaranty, (ii) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or fraudulent conveyance statutes, or (iii) the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group to make a payment on an Obligation for which it was not the direct beneficiary, a court might not enforce such obligation to pay in the event it is determined that the Member against whom such payment is sought is analogous to a guarantor of the debt of the Member who directly benefited from the borrowing and that sufficient consideration for such Member’s guaranty was not received or that the incurrence of such Obligation has rendered or will render such member insolvent.

Enforceability of Remedies, Bankruptcy, Limitations on Security Interests and Other Matters Relating to the Security for the Bonds

No mortgage on any of the Obligated Group’s properties or facilities will be granted in connection with the issuance of the Bonds or the 2018 Master Note Obligation.

The Obligated Group’s facilities are not comprised of general purpose buildings, and most of its facilities would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a lessee for the Obligated Group’s facilities if it were necessary to proceed against the Obligated Group, whether pursuant to a judgment against the Members of the Obligated Group or otherwise. Thus, upon any default and resulting reletting of the Obligated Group’s facilities, the Master Trustee may not realize proceeds in an amount equal to the amount then due and payable with respect to the outstanding Obligations, including the Bonds. Reletting the Obligated Group’s facilities would also be constrained by the restriction on users of the Obligated Group’s bond-financed facilities in order to maintain the tax-exempt interest on outstanding tax-exempt bonds of the Authority.

The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Bond Indentures and the Master Indenture. These remedies, in certain respects, may require judicial action which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Bond Indentures and the Master Indenture may not be readily available or may be limited (including limitations imposed by bankruptcy laws and other existing statutes, constitutional provisions and judicial decisions). A court may decide not to order the specific performance of the covenants contained in such documents.

The 2018 Master Note Obligation is secured by a pledge of Gross Revenues of the Members of the Obligated Group on a parity with the outstanding Obligations and any future parity Obligations, subject to Permitted Encumbrances and, unless an event of default under the Master Indenture has occurred and is continuing, subject to the rights of the Members of the Obligated Group to use such revenue for operation and maintenance expenses and any other lawful purposes. Such pledge is intended to be prior to any other security interest in, lien on or pledge of Gross Revenues, except Permitted

Encumbrances. However, the effectiveness of the pledge of Gross Revenues may be limited by a number of factors, including: (i) the absence of an express assignment of payments due to the Members of the Obligated Group under the Medicare or Medicaid programs or under the contracts between such Members and other third-party payors, and present or future prohibitions against assignment of certain accounts contained in state or federal statutes or regulations, including statutes which may affect assignment of Medicare and Medicaid payments; (ii) certain federal statutes and judicial decisions that have cast doubt upon the right of the Master Trustee or other creditors, in the event of a default, to collect and retain accounts receivable from Medicaid, Medicare and other governmental programs; (iii) statutory liens; (iv) equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) bankruptcy laws that may affect enforceability of the Master Indenture or the security interest in the Gross Revenues of any Member of the Obligated Group which are earned by the Member of the Obligated Group within prescribed periods preceding and after any institution of bankruptcy proceedings by or against such Member; (vi) rights of third parties in any revenue, including revenue converted to cash, not in the possession of the Bond Trustee or the Master Trustee; and (vii) the requirement that appropriate continuation statements be filed in accordance with the Colorado Uniform Commercial Code. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types of Gross Revenues (e.g., gifts, donations, certain insurance proceeds, Medicare and Medicaid payments) before actual receipt by the Master Trustee. See “THE MASTER INDENTURE—Definitions” in Appendix C.

In the event a Member of the Obligated Group were to become a debtor under Title 11 of the United States Code (the Federal Bankruptcy Code), or similar state law provisions, payments on the Bonds or payments under the 2018 Master Note Obligation may be stayed or, under certain circumstances, subject to avoidance, and the interests of the Bond Trustee, the Master Trustee or other creditors in such payments may not extend to payments acquired after the commencement of such a bankruptcy case. Furthermore, if the bankruptcy court concludes that the Bond Trustee, the Master Trustee or other creditors have “adequate protection,” it may enter orders affecting the security of the Bond Trustee or the Master Trustee, including orders providing for the substitution, subordination and sale of security. In addition, a reorganization plan may be adopted even though it has not been accepted by the Bond Trustee, the Master Trustee or other creditors, if the Bond Trustee, the Master Trustee or other creditors are provided with the benefit of its original lien or the “indubitable equivalent.” Thus, in the event of the bankruptcy of a Member of the Obligated Group, the amount realized by the Bond Trustee, the Master Trustee or other creditors may depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Bond Indentures, the Master Indenture or such other contracts that make bankruptcy and related proceedings by a Member of the Obligated Group an event of default thereunder.

There exists in some states statutory or common law authority for a court to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court’s own motion or pursuant to a petition of the attorney general or other persons, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

All legal opinions with respect to the enforceability of the Bond Indentures, the Master Indenture and other financing documents are and will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting the rights of creditors generally, and by general principles of equity.

Interest Rate Agreements

The Authority has entered into interest rate agreements with respect to the Series 2013A Bonds and the Series 2013C Bonds whereby the Authority pays fixed rates and receives amounts based on floating rates. The Authority also entered into a total return swap agreement with respect to the Series 2017A Bonds with an affiliate of the Underwriter. Pursuant to the total return swap agreement, (a)(i) UCHealth will make payments based upon a floating rate, and (ii) the counterparty will make payments based upon the actual rate of interest paid on the Series 2017A Bonds, in each case, on a net basis and based on a notional amount as set forth in the related confirmation, and (b) upon the termination of the total return swap agreement (either at the scheduled termination thereof or upon an early termination), (x) UCHealth will pay a fixed percentage (100% or less, to be determined) of the absolute value of any decrease in market value of the Series 2017A Bonds, or (y) the counterparty will pay a fixed percentage (100% or less, to be determined) of the value of any increase in market value of the Series 2017A Bonds. On December 9, 2016, UCHealth entered into a forward starting interest rate exchange agreement with an affiliate of the Underwriter with respect to the anticipated issuance of the Bonds and the Series 2018A Bonds to refund the Refunded Bonds whereby the Authority pays a fixed rate and receives amounts based on floating rates. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Master Indenture—*Parity Indebtedness under the Master Indenture*” and see “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Investment Policy and Investment Allocation” in Appendix A. Such interest rate agreements create a variety of risks to the Obligated Group in addition to the risk that the counterparty does not make payments under the interest rate agreement. Certain of such risks are as follows:

(a) Under certain circumstances, an interest rate agreement may be subject to termination prior to its scheduled termination date and prior to the maturity of the related bonds. Upon the early termination of an interest rate agreement, a termination payment would be payable by one party to the other based, in large part, on market conditions at the time of termination. In the event of an early termination of an interest rate agreement, there can be no assurance that (i) the Obligated Group will receive any termination payment payable to it by the counterparty, (ii) the Obligated Group will have sufficient amounts to pay a termination payment payable by it to the counterparty, or (iii) the Obligated Group will be able to obtain a replacement agreement with comparable terms. Payment due upon early termination may be substantial. While the regularly scheduled payments required to be made by the Obligated Group are secured by the Master Indenture, termination payments are expressly subordinated and subject in right of payment to all other Obligations issued thereunder. In addition, upon the scheduled termination date of a total return interest rate exchange agreement a payment may be due by either party based on the value of the related bonds. The Members of the Obligated Group may in the future enter into interest rate swap agreements and other financial product and hedge devices that are also secured under the Master Indenture.

(b) With respect to interest rate agreements relating to variable rate bonds, the floating rate payable by the counterparty pursuant to an interest rate agreement is intended to approximate the variable interest rate on the related bonds. However, there is no guarantee that such rates will match at all times or at any time. To the extent of a mismatch, the Obligated Group is exposed to “basis risk” in that the floating rate payable from the counterparty pursuant to the interest rate agreement will not equal the variable interest rate it is required to pay with respect to the related bonds.

Other Contingent Liabilities

In addition to the contingent liabilities relating to the interest rate agreements entered into by the Authority and UCHealth, the operations of the Members of the Obligated Group are subject to potentially significant contingent liabilities. Funding requirements with respect to self-insurance reserves and

employee pension plans are subject to actuarial calculations. Also, final settlements and post-payment audits with respect to the Medicare and Medicaid programs can result in settlement in favor of a payor in excess of amounts reserved by the Obligated Group. See Notes 13, 14 and 17 in the Basic Financial Statements in Appendix B.

Rights of Credit Enhancers

Certain bonds of the Members of the Obligated Group are insured by a bond insurance policy. Under certain circumstances, the credit enhancer controls, through its rights under the applicable bond indenture, the corresponding Obligations under the Master Indenture. In addition, the Members of the Obligated Group have, in some circumstances, entered into separate agreements with purchasers of bonds, which agreements contain certain operating and financial covenants that are more stringent than those contained in the Master Indenture. These covenants are for the benefit of the respective credit enhancer or bond purchaser and may be waived by such credit enhancer or bond purchaser at any time. A default under any of these agreements will, at the direction of (and subject to waiver by) the respective credit enhancer or bond purchaser, constitute a default under the Master Indenture.

Modifications to Master Indenture and Bond Indenture

Certain amendments to the Master Indenture may be made with the consent of the Holders of not less than a majority of the principal amount of outstanding Obligations thereunder. Such amendments may adversely affect the security of the Bondholders, and such percentage may be composed wholly or partially of the Holders of Additional Obligations or other Obligations previously issued (or, with respect to any credit-enhanced bonds or direct purchase bonds and the related Obligations, such consent may be given by the respective credit enhancement provider or Bondholder). Also, the Master Indenture may be amended without the consent of any Bondholders in certain circumstances. See “THE MASTER INDENTURE—Supplemental Master Indentures Not Requiring Consent of Obligation Holders” and “—Supplemental Master Indentures Requiring Consent of Obligation Holders” in Appendix C.

Certain amendments to each Bond Indenture may be made without Bondholder consent or with the consent of the Bondholders of not less than a majority of the outstanding aggregate principal amount of the Bonds related to that Bond Indenture. See “SERIES 2018B BOND INDENTURE—Supplemental Bond Indentures Not Requiring Consent of Bondholders” and “—Supplemental Bond Indentures Requiring Consent of Bondholders” and “SERIES 2018C BOND INDENTURE—Supplemental Bond Indentures Not Requiring Consent of Bondholders” and “—Supplemental Bond Indentures Requiring Consent of Bondholders” in Appendix C.

Lack of Secondary Market for the Bonds

The secondary market for the Bonds may be restricted or very limited at any given time, and there can be no assurance that the secondary market will provide owners of the Bonds with investment liquidity or will continue until final maturity of the Bonds. However, the Underwriter is not obligated to engage in secondary market trading of the Bonds and cannot give assurances that there will be a continuing secondary market in the Bonds. In addition, adverse developments with respect to the Obligated Group, its properties or operations may adversely affect bid and asked prices for the Bonds in any secondary market. In some states specific conditions must be met in order to qualify for an exemption from registration for secondary market sales. The ratings on the Bonds do not address the market liquidity of the Bonds.

The Members of the Obligated Group have agreed to supply information as described under the caption “CONTINUING DISCLOSURE” and in Appendix F – “Form of Continuing Disclosure Agreement.” Failure to provide such information, if required, is not an Event of Default under the Bond Indentures, however, such failure may materially and adversely affect any secondary market trading of the Bonds.

REGULATION OF THE HEALTH CARE INDUSTRY

General Health Care Industry Factors

The health care industry in general is subject to regulation by a number of governmental and private agencies, including those which administer the Medicare and Medicaid programs discussed below, and is affected by federal and state policies concerning the manner in which health care is provided, administered and financed. The health care industry is accordingly sensitive to frequent and substantial legislative and regulatory changes, including persistent federal and state efforts to control the growth of governmental spending on health care programs. In addition, Congress and other governmental agencies have focused on providing care to indigent and uninsured patients, prevention of “dumping” such patients on public hospitals in order to avoid the provision of non-reimbursed care, the unlawful payment of remuneration in exchange for referral of patients, physician self-referral, inaccurate billing, security and privacy of health-related information, and other issues. In recent years, federal and state governments have exerted sharply increased efforts and resources on enforcing laws and regulations against fraud, waste and abuse within government health care programs, and governmental enforcement is increasingly supplemented by lawsuits brought by private citizens. Health care providers that fail to comply with Medicare, Medicaid and commercial payor rules and guidelines are increasingly likely to receive onerous administrative, civil and even criminal penalties and may also be subject to exclusion from participation in Medicare, Medicaid and other federal programs.

During the fiscal year ended June 30, 2017, Medicare patients (including members of Medicare HMOs) accounted for 37.9% of the Obligated Group’s discharges and 37.4% of its gross patient service revenue, while Medicaid patients (including members of Medicaid HMOs) accounted for 25.7% of the Obligated Group’s discharges and 22.3% of its gross patient service revenue. During the fiscal year ended June 30, 2017, 0.6% of the Obligated Group’s operating revenue was received as net payments under the Colorado Indigent Care Program. See “BONDHOLDERS’ RISKS—Disproportionate Share and Hospital Provider Fees” above and “SYSTEM SOURCES OF REVENUE—Colorado Indigent Care Program Reimbursement” in Appendix A. Reductions in funding levels of these programs or other changes designed to limit increases in costs paid by those programs could have a negative effect on the revenue of the Obligated Group.

In the years leading up to the enactment of the Affordable Care Act, federal budget legislation included substantial funding cuts in Medicare and Medicaid payments and diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs were enacted. While the Affordable Care Act generally expanded Medicaid coverage and funding, it also contains provisions aimed at reducing Medicare and Medicaid reimbursements to providers. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform.”

There may be continued statutory and regulatory efforts to control health care costs, particularly costs paid under the Medicare and Medicaid programs. The focus and interest on federal and state health care reform may increase the likelihood of additional significant cost control measures being enacted in the near future. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform.”

In recent years, numerous and varied legislative and regulatory actions to reform the health care system have been proposed at both federal and state levels. Such proposals have included establishment of a single-payor system, encouragement of voluntary efforts to expand health care coverage, stimulation of competition among health care providers, adoption or expansion of “patients’ bills of rights” and similar programs, changes in licensure requirements, and other changes in methods of delivering, regulating and financing health care services. The Affordable Care Act focused on health insurance mandates; insurance exchanges and other measures to expand healthcare coverage and control health insurance premiums; modifications to methods and rates of payment to health care providers and other measures to control health care costs; use of electronic records and empirical research data to move toward “evidence-based medicine” protocols; new methods and increased enforcement resources to combat waste, fraud and abuse; and alternative approaches to medical malpractice disputes. For acute care providers such as the Members of the Obligated Group, the Affordable Care Act has had both positive and negative effects, with lower Medicare and Medicaid reimbursement rates and more stringent regulation on one hand and increased insurance coverage and reduced emergency services burdens on the other. The long-term impact of the legislation remains uncertain.

Federal or state reform legislation or regulatory measures could be enacted in the future, and such legislative and regulatory action could adversely affect the operations and financial condition of health care providers by reducing government reimbursement or other income, imposing additional uncompensated operating costs or restricting the provision of new or expanded health care services. No assurance can be given that the operations and financial condition of the Members of the Obligated Group will not be materially, adversely affected by ongoing or future legislative and regulatory changes. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform.”

Federal Budget Cuts and Sequestration

The Budget Control Act of 2011 limits the federal government’s discretionary spending caps at levels necessary to reduce expenditures by \$917 billion during federal fiscal years 2013 through 2021. Medicaid, Medicare, Social Security and other entitlement programs are not affected by this limit on discretionary spending caps. The Budget Control Act created a Joint Select Committee on Deficit Reduction (the “Joint Select Committee”), which was tasked with making recommendations to further reduce the federal deficit by \$1.5 trillion. Because the Joint Select Committee failed to act in a timely manner, the Budget Control Act mandated that a 2% reduction in Medicare spending, among other reductions, would be triggered to take effect in January 2013.

The American Taxpayer Relief Act of 2012 postponed this scheduled reduction until March 2013, and the 2% Medicare spending reduction ultimately took effect beginning in April 2013. In December 2013, the Bipartisan Budget Act of 2013 was enacted, which among other actions included restructuring of Medicaid DSH payment reductions by delaying the fiscal year 2014 DSH payment cuts until fiscal year 2016, but increasing the overall level of reductions and extending through 2023 the 2% reduction in Medicare spending. The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) further delayed the DSH payment cuts until fiscal year 2018. The Bipartisan Budget Act of 2015 extended the 2% reduction to Medicare providers and insurers for another year, to at least March 31, 2025. Most recently, under the BBA 2018, the DSH reductions are further delayed by two years, through 2018 and 2019.

It is impossible to predict the impact any future spending cuts enacted by Congress may have on the Obligated Group. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. If and to the extent Medicare and/or Medicaid spending is reduced under either scenario, this may have a material adverse effect upon the operations and financial condition of hospitals and health care providers, including the

Obligated Group. Ultimately, these reductions or alternatives could have a disproportionate impact on hospitals and health care providers and could have an adverse effect on the operations and financial condition of the Obligated Group, which could be material.

21st Century Cures Act

The 21st Century Cures Act (the “Cures Act”), which was signed into law on December 13, 2016, is designed to help accelerate medical product development and bring new innovations to patients who need them faster and more efficiently. Among other things, the Cures Act aims to improve the provision of telehealth services in the Medicare program and will advance processes for determining which Medicare treatments are covered. As a result, Medicare beneficiaries will gain increased access to healthcare services. It also contains provisions that will enable Medicare beneficiaries to find the most cost-effective treatment available by comparing differences in out-of-pocket costs and total expenditures for certain services. In addition, the Cures Act contains provisions that affect reimbursement for hospital outpatient departments by expanding the categories of projects that would be exempt from the decrease in outpatient prospective payment system reimbursement payments.

Regulatory and Contractual Actions That Could Affect the Obligated Group

The Members of the Obligated Group are subject to regulation, certification, licensing, accreditation and policy changes by various federal and state government agencies (including agencies which administer the Medicare and Medicaid programs, and including agencies created by the National Health Planning Act), and by certain nongovernmental agencies such as The Joint Commission and other professional review organizations. No assurance can be given as to the effect on future operations of the Obligated Group of existing laws, regulations and standards for such certification, licensing or accreditation, or of any future changes in such laws, regulations and standards. Adverse actions relating to certification, licensure or accreditation could result in the loss of the ability of a Member of the Obligated Group to operate all or a portion of its facilities and could affect its ability to receive third party reimbursement from various programs. See “OTHER INFORMATION—Licensure, Certification and Accreditation” in Appendix A.

Medicare Reimbursement

The Members of the Obligated Group are certified as providers of Medicare services and have historically received significant revenue from the Medicare program. See “SYSTEM SOURCES OF REVENUE” in Appendix A. Changes in the Medicare program are therefore likely to have a material effect on the Obligated Group. Medicare is a federal health benefits program administered by CMS within HHS to provide health insurance primarily to beneficiaries who are 65 years of age or older. In order to achieve and maintain Medicare certification, certain health care providers, including hospitals, must meet CMS’s “Conditions of Participation” on an ongoing basis, as determined by each state in which they operate and/or The Joint Commission or other officially sanctioned accrediting organization. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals and other health care providers to effect changes from time to time in their facilities, equipment, operations, personnel, billing, policies and services. Failure to comply with certification and accreditation requirements could result in a loss of eligibility to participate in the Medicare program. A loss of participation in the Medicare program could have a material negative effect on the financial condition and results of operations of the Obligated Group.

Medicare benefits are payable under Part A which covers inpatient hospital services, skilled nursing care, and hospice services, certain home health services and certain other services; and Part B

which covers hospital outpatient services, physician and ambulatory services, durable medical equipment, certain home health services and certain other items and services. Medicare Part B is a voluntary program, and only those eligible beneficiaries who pay the Part B premiums receive benefits. Part C governing the Medicare Advantage program provides for payment to Medicare Advantage plans from the Part A and Part B trust funds. Part C requires that Medicare Advantage plans cover at least those items and services currently covered under Parts A and B, other than hospice care. Additional benefits may be offered as part of a basic package or pursuant to an extra charge. Part D provides Medicare prescription drug coverage. The Affordable Care Act institutes multiple mechanisms for reducing the costs of the Medicare program, as discussed below.

Part A Reimbursement of Inpatient Services. Under Medicare’s prospective payment system (“PPS”), hospital discharges are classified into categories of specific diagnosis-related groups of services (“DRGs”), based roughly on estimated intensity and hospital resources necessary to furnish care for each principal diagnosis and are indexed for wages in the hospital’s metropolitan area. Hospitals generally receive a fixed amount based upon the assigned DRG, on a per discharge basis for each Medicare patient (other than those enrolled in a Medicare Advantage plan), regardless of how long the patient remains in the hospital or the volume of ancillary services provided to the patient. Additional payments (referred to as “outlier payments”) may be made to hospitals for cases involving extremely long periods of stay or unusually high costs in comparison with other discharges in the same DRG. Under PPS, hospitals may retain payments in excess of costs but must absorb costs in excess of payments. The actual cost of care, including capital costs, may be less than the DRG rate.

CMS annually updates and recalibrates DRG rates (the “update factor”) based on a statistical estimate of changes in the cost of goods and services used by hospitals in providing care (the “market basket”). While the update factor has typically been equal to the percentage increase in the market basket, from time to time Congress has set updates legislatively that are less than the market basket and has delayed scheduled payment updates. Such actions adversely affect the Obligated Group’s revenues. The Affordable Care Act contains provisions aimed at reducing Medicare (and Medicaid) payments to providers, including reductions in the annual market basket adjustments to be phased in through 2019, in amounts ranging from 0.10% to 0.75% each year through federal fiscal year 2019. Market basket updates are subject to productivity adjustments as well. The federal fiscal year 2018 productivity adjustment for inpatient reimbursement is -0.6%. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may result in reductions in Medicare payment per discharge on a year-to-year basis.

Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain “hospital-acquired conditions” identified by CMS are reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year. Further, federal payments to states for Medicaid services related to hospital-acquired conditions are prohibited.

The DRG reductions are intended to offset incentive payments to hospitals under the Hospital Value-Based Purchasing (“HVPB”) program created pursuant to the Affordable Care Act, which links a portion of Medicare inpatient PPS payments to performance on certain quality measures. The HVPB program is intended to shift from payments based on volume to payments based on performance. The HVPB program was implemented with respect to discharges on or after October 1, 2012. Under the program, Medicare will make incentive payments to hospitals based on specified performance measures (which hospitals report under the Hospital Inpatient Quality Reporting program). The measures include both clinical process of care measures and patient experience of care (survey) measures. Hospitals are scored on these measures on both achievement (relative to other hospitals) and improvement (relative to the hospitals’ own performance during a baseline period). Data and scores are made available to the public on the Hospital Compare website. See “BONDHOLDERS’ RISKS—Negative Rankings Based on

Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures.” The measures are expected to change over time, in order to continue to raise the bar as quality improves for hospitals generally. The Members of the Obligated Group cannot predict the potential long-term effects of the HVBP program on the Obligated Group.

Increasingly, the Medicare and Medicaid programs seek to penalize providers that do not successfully participate in quality initiatives; CMS has created categories of serious errors in the provision of health care services that will result in denial of reimbursement to providers. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform.” The Affordable Care Act specifically provides for Medicare payment reductions for hospitals showing excess 30-day readmission rates with respect to certain medical conditions, for hospitals with high rates of certain hospital acquired conditions and for hospitals failing to “meaningfully use” information technology.

Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Obligated Group’s facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

In 2002, the National Quality Forum published “Serious Reportable Events in Healthcare: A Consensus Report” that identified certain adverse events that were “serious, largely preventable and of concern to both the public and healthcare providers.” This list (and subsequent revisions) became known as “never events.” Historically, Medicare did not distinguish between costs that resulted from patient treatment as opposed to costs that resulted from an adverse event that occurred in the hospital. Section 5001(c) of the Deficit Reduction Act of 2005 required CMS to identify conditions that were high cost or volume or both, resulted in assignment to a DRG that had a higher payment when present as a secondary diagnosis, and that could have reasonably been prevented. As a result, CMS has developed a list of hospital acquired conditions (such as foreign object retained after surgery, Stage III and IV pressure ulcers and catheter-associated urinary tract infections) that are denied higher Medicare payments. The Affordable Care Act also added a 1% payment reduction for facilities with hospital-acquired condition rates in the top quartile of all hospitals as discussed above. In addition, CMS has developed a list of non-covered services that relate to adverse (i.e., “never”) events for which the hospital will not be reimbursed. The Obligated Group Members will be at risk for decreased reimbursement if certain adverse events or hospital acquired conditions occur.

Hospitals receive additional Medicare reimbursement for a portion of the bad debts associated with providing covered services to Medicare patients, and for rendering services to a disproportionately high share of low-income patients. Under PPS, hospitals that serve a disproportionate share of low-income patients receive, in addition to payments related to operating and capital costs discussed above, an additional Medicare DSH (disproportionate share hospital) adjustment. A hospital may qualify for a Medicare DSH payment based upon a statutory formula relating to a hospital’s number of Medicaid and certain Medicare days to total days. The Affordable Care Act is expected to reduce Medicare and Medicaid DSH funding, which may have a negative impact on the Obligated Group. See “BONDHOLDERS’ RISKS—Disproportionate Share and Hospital Provider Fees” and “SYSTEM SOURCES OF REVENUE” in Appendix A.

Effective October 1, 2013, CMS adopted a policy known as the Inpatient Hospital Prepayment Review “Probe & Educate” review process or the “Two-Midnight” rule. The “Two-Midnight” policy specified that hospital stays spanning two or more midnights after the beneficiary is properly and formally admitted as an inpatient are presumed to be “reasonable and necessary” for purposes of inpatient

reimbursement. CMS adopted the “Two-Midnight” rule due to growing concern with the overuse of the “observation” status at hospitals; CMS found that Medicare beneficiaries were spending extended periods of time in observation units without being admitted as inpatients. With some exceptions, stays not expected to extend past two midnights were to be admitted and instead be billed as outpatient. In response to industry concerns about the rule, enforcement of the rule was delayed until the end of 2015. CMS announced that it would not continue to impose an inpatient payment cut to hospitals under the “Two-Midnight” rule starting in 2017 following ongoing industry criticism and a legal challenge. In the final rule released on August 2, 2016, CMS removed the inpatient payment cuts of 0.2% that were in place from 2014 to 2016 under the “Two-Midnight” rule for fiscal year 2017 and onward and provided a temporary increase of 0.6% payment in fiscal year 2017 to help offset the fiscal year 2014 to 2016 cuts under the “Two-Midnight” rule. The 2019 proposed rule proposes eliminating certain reporting requirements for inpatient admission orders which, if implemented, would reduce the denial of medically necessary inpatient admissions due to technical deficiencies. The “Two-Midnight” rule has had an adverse financial impact on hospitals. In December 2016 the OIG issued a report concluding that CMS needs to improve oversight of hospital billing under this policy. Therefore, CMS may be increasing scrutiny of short inpatient stays in the near future.

There will continue to be uncertainties associated with the future determination of reimbursement levels related to DRG classifications, HVBP incentives, DSH adjustments and graduate medical education and indirect medical education payments (as well as reimbursement for outpatient services, as discussed below). In addition, the Medicare program is subject to judicial interpretations, administrative rulings, governmental funding restrictions and requirements for utilization review (such as second opinions for surgery and preadmission criteria). Such matters, as well as more general governmental budgetary concerns, may reduce payments made to the Members of the Obligated Group under such program, and future Medicare payment rates may not be sufficient to cover increases in the cost of providing services to Medicare patients.

Part B Reimbursement of Outpatient Services. Part B of Medicare generally covers certain hospital outpatient services, physician services, medical supplies and durable equipment. Certain outpatient procedures which are provided within 72 hours of an inpatient admission are considered to be part of the inpatient services and are not separately reimbursed. A prospective payment system applies to covered hospital outpatient services (“Ambulatory Payment Categories”); CMS establishes relative payment rates for Ambulatory Payment Categories based on hospital claims and cost report data and sets certain specified limits on coinsurance payable for such services. Laboratory, therapy and certain radiology services are paid under a fee schedule. The Affordable Care Act provides for a reduction to the market basket used to determine annual payments for outpatient services by an adjustment factor for 2010 through 2019 and by a productivity adjustment for 2012 and subsequent years. Application of the productivity adjustment can result in a market basket increase of less than zero, such that payments in a current year may be less than the prior year. There can be no assurance that Medicare payments for outpatient services will be sufficient to cover all of the Obligated Group’s actual costs in providing hospital outpatient department services to Medicare patients.

The BBA created a mandate that new off-campus hospital outpatient departments established on or after November 2, 2015, are not eligible for reimbursement under the prospective payment system after January 1, 2017. Services subject to the change will not be reimbursed under Medicare’s hospital PPS, but rather will be reimbursed under alternative payment systems, which may be lower than the PPS rates. During calendar year 2017, CMS paid 50% of the applicable PPS rate since it did not have the ability to implement an alternative payment methodology yet. For services in calendar year 2018, CMS reduced the applicable payment amount to 40% of the PPS rate. Future reductions to the payments could have a material impact on the Obligated Group’s financial condition, even in the absence of statutory changes. The long-term impact of these changes cannot be predicted.

Medicare Advantage Plans. Part C of the Social Security Act gives most Medicare beneficiaries the option to obtain Medicare coverage either under the traditional Medicare program (Parts A and B as described above), or under a Medicare Advantage plan. A Medicare Advantage plan may be offered by a coordinated care plan (such as an HMO or PPO), a provider sponsored organization (“PSO”) (a network operated by health care providers rather than an insurance company), a private fee-for-service plan, or a combination of a medical savings account (“MSA”) and contributions to a Medicare Advantage plan. Each Medicare Advantage plan, except an MSA plan, is required to provide at least the benefits offered under Medicare Parts A and B (other than hospice care) and any additional benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a capitated monthly payment from HHS for each Medicare beneficiary who has elected coverage under the plan. In general, health care providers such as the Members of the Obligated Group must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates, with the exception of Private Fee For Service (PFFS) plans which do not require a contract with the provider.

The Members of the Obligated Group currently have agreements with multiple Medicare Advantage plans and also see patients from many PFFS Medicare Advantage plans. The Affordable Care Act provides that through September 30, 2019, payments under Medicare Advantage will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in such plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs. All or any of these outcomes will have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare managed care revenues.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit. Legislation has capped the number of residents recognized by Medicare for reimbursement purposes and has limited reimbursement for both direct and indirect medical education costs. Each year for the past several years, the President’s budget request has recommended changes to federal funding for medical education.

Other Payments. Medicare payment for certain skilled nursing services, inpatient psychiatric services, inpatient rehabilitation services and home health services, among others, are based on regulatory formulas or predetermined rates. There is no guarantee that these rates will be adequate to cover the actual cost or providing these services to Medicare patients.

An ambulatory surgery center (“ASC”) is paid under its own PPS program, which pays for all services associated with the surgery, including laboratory and other diagnostic service, if the ASC includes them in the facility charges. However, it does not pay for services for which Medicare will typically make a separate payment, such as for physician services. There is no guarantee that ASC PPS rates will cover actual costs of providing services to Medicare patients.

Physician Payments. The sustainable growth rate (“SGR”) formula, a limit on the growth of Medicare payments for physician services, was enacted in 1997 and linked to changes in the U.S. Gross Domestic Product over a ten year period. In 2015, MACRA replaced the SGR formula with statutorily prescribed physician payment updates and provisions. As a result, payment rates were to increase annually by 0.5% through 2019. BBA 2018 reduced the physician update to 0.25% for 2019. Thereafter, payment rates will be frozen at 2019 levels through 2025. In addition to the base payment methodology, physicians can earn merit-based payments based on factors including compliance with meaningful use of electronic health records requirements and demonstration of quality-based medicine. There is remaining

uncertainty regarding the impact of merit-based and alternative payment models, and it is possible that future legislative action will be taken that would once again trigger physician payment reductions.

MACRA will substantially alter how physicians and other practitioners are paid by Medicare for services furnished to program beneficiaries. Generally, physicians will choose whether to participate in an ACO as an advanced alternative payment model or have their performance measured under the Merit-Based Incentive System. Payments to physicians and other practitioners will be adjusted depending on which pathway is chosen, and based on performance within each pathway. A substantial amount of payments will be linked to that performance. Poorly performing practitioners will have Medicare payments reduced; while those who perform well against prescribed measures could have payments increased. These changes will influence physician referral and utilization behaviors, which could affect utilization of hospital services.

Medicaid Reimbursement

Medicaid is a combined federal and state program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rate for services; and administers its own Medicaid program. In Colorado, the Medicaid program is administered by the State's Department of Health Care Policy and Financing. Each Member of the Obligated Group is certified as a provider of Medicaid services and the Obligated Group has historically received significant revenue from the Medicaid program. Significant changes in the Medicaid program are therefore likely to have a material effect on the Obligated Group. See "SYSTEM SOURCES OF REVENUE" in Appendix A.

Medicaid inpatient hospital services are reimbursed on the basis of DRGs calculated according to the Medicare prospective payment system formula. Medicaid outpatient hospital services are generally reimbursed on the basis of the retrospective reasonable and allowable cost of those services determined on the basis of Medicare accounting rules or in accordance with fee schedules produced by the Department of Health Care Policy and Finance. Medicaid approved charges may be significantly less than a provider's normal charges, and participating providers must accept the Medicaid reimbursement level as payment in full. Because the Members of the Obligated Group are reimbursed a fixed rate per case, there can be no assurance that Medicaid revenue will cover expenses for Medicaid patients.

The Affordable Care Act contains provisions aimed at reducing Medicaid and Medicare reimbursements to providers. See "Medicare Reimbursement—*Part A Reimbursement of Inpatient Services*" above for a discussion of market basket and other reimbursement reductions imposed by the Affordable Care Act.

States must augment payment to qualified hospitals that provide inpatient services to a disproportionate number of Medicaid recipients and/or other low-income persons under the Medicaid DSH program (administered as part of the Colorado Indigent Care Program). See "SYSTEM SOURCES OF REVENUE—Medicaid Upper Payment Limit and Disproportionate Share Payments" and "—Colorado Indigent Care Program Reimbursement" in Appendix A for a discussion of the Medicaid DSH program in Colorado and a history of payments to the Obligated Group. Expected cuts in DSH funding at the federal and/or state level could have an adverse effect on the Obligated Group.

The amount of Medicaid reimbursement received by providers in the future will depend on, among other things, fiscal considerations of both the federal and state governments in establishing their budgets for funding the Medicaid program. Because a portion of Medicaid's program costs are paid by the State, the absolute level of Medicaid revenue paid to the Members of the Obligated Group, as well as

the timeliness of their receipt, may be partly dependent upon the financial condition of and budgetary factors facing the State, which may be adversely affected by factors beyond the State's control. Since State payments to Medicaid providers are subject to State legislative appropriation, delays in appropriations may occur from time to time, creating a risk that payments for services to Medicaid patients will be withheld or delayed. State budgets are not only affected by State economic conditions but also by a combination of Colorado constitutional provisions that limit taxes and revenues while mandating increases in public education spending which are not tied to revenue increases. Consequently, Colorado's ability to appropriate additional funds for the Medicaid program or to increase taxes to provide additional revenue for health care is limited by the State Constitution and may be further restricted by initiated ballot proposals or by other changes in law or policy. See "TAXING AND SPENDING LIMITS." Future changes in State law or policy could adversely affect State Medicaid funding. To the extent future changes in State law, policy or financial conditions cause the State to reduce its funding of the non-federal portion of Medicaid reimbursement, the revenue of Medicaid providers such as the Members of the Obligated Group could be adversely affected.

Changes to the Affordable Care Act could result in additional pressure on Medicaid funding. A repeal or modification of the Affordable Care Act could reduce the number of individuals qualifying for treatment as Medicaid patients, resulting in the Members of the Obligated Group's care for greater numbers of uninsured individuals.

Medicaid funding may be affected further by future health care reform legislation and general governmental budgetary concerns. Such factors could lead to future reductions in Medicaid payments, and Medicaid payment rates could become insufficient to cover increases in costs of providing services to Medicaid patients. It is impossible to predict the effect such changes might have on the Members of the Obligated Group.

Medicare and Medicaid Annual Cost Reporting; Audits

The annual cost reports of the Members of the Obligated Group, which are required under the Medicare and Medicaid programs, are subject to audit which ultimately may result in adjustments to the amounts determined to be due to or from such Members under these programs. Medicare and Medicaid regulations provide for withholding payment in certain circumstances if audits determine that an overpayment of Medicare or Medicaid funds has been made. These audits often require several years to reach the final determination of amounts earned under each program based on cost. Providers also have rights of appeal. Medicare cost reports for University Hospital, PVH and MCR have been audited and settled through June 30, 2014. The Medicare cost reports for Memorial Hospital Central and Memorial Hospital North have been audited through June 30, 2014; however the cost reports for the 2008 filing year have not yet been settled. Medicaid cost reports for University Hospital, PVH and MCR have been audited and settled through June 30, 2013. The Medicaid cost reports for Memorial Hospital Center and Memorial Hospital North have been audited through September 30, 2012; however the cost reports for the 2008 filing year have not been settled. Members of the Obligated Group have appeals open and pending reopening for previously settled cost reports pending final settlement. In addition to cost report audits, program integrity audits are conducted under the auspices of the State. The Members of the Obligated Group are not aware of any situation whereby a material Medicare or Medicaid payment is presently being withheld from a Member, and do not anticipate that substantial withholdings or audit adjustments not covered by existing reserves will be made in the future. However, if such withholdings or audit adjustments were to be assessed, such an occurrence could have a material adverse effect on the Obligated Group's financial position.

Recovery Audit Contractors

CMS has implemented and expanded a program for the use of recovery audit contractors (“RACs”) to conduct pre- and post-payment reviews to detect and correct improper Medicare fee-for-service payments and the Affordable Care Act extended the use of RACs to the Medicaid program, Medicare Advantage and Medicare Part D. RACs are compensated in part on the basis of their collections, and the program has reportedly resulted in significant recoveries of Medicare overpayments. The programs tend to result in retroactively reduced payment and higher administration costs to hospitals. The audits may require several years to reach final determination. The Members of the Obligated Group cannot anticipate the amount or volume of its past Medicare claims that will be reviewed by the RACs or what the results of any such audits may be. CMS also employs Medicaid Integrity Contractors (“MICs”) to perform post-payment audits of Medicaid claims and identify improper payments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals.

Children’s Health Insurance Program

The Children’s Health Insurance Program (“CHIP”), which is funded jointly by the federal government and states, is an insurance program for children whose families earn too much money to be eligible for Medicaid, but cannot afford commercial health insurance. CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. The ACA temporarily increased the federal matching rate for CHIP by 23%. Under the Bipartisan Budget Act of 2018, federal funding/authorization for CHIP was extended through federal fiscal year 2027. The bill includes a phase-out of the 23% federal funding for CHIP, with the increased reimbursement to continue through fiscal year 2019, to be cut in half in fiscal year 2020, and to be eliminated entirely in fiscal year 2021. When such funding expires there can be no assurance that funding for an increase will be reestablished at either a state or federal level or that reimbursement rates will not be reduced in an effort to manage costs.

Fraud and Abuse Laws and Regulations

Health care “fraud and abuse” laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries (and sometimes to individuals insured by private payors) and the methods and requirements for submitting claims for services rendered to the beneficiaries. Under these laws, individuals and organizations can be penalized for a wide variety of conduct, including but not limited to submitting claims for services that were: not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, or billed in a manner that does not otherwise comply with applicable legal requirements. The Affordable Care Act significantly increased funding for enforcement efforts under these laws.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital or other health care provider from participation in the Medicare and Medicaid programs, civil monetary penalties, and suspension of Medicare and Medicaid payments. Fraud and abuse cases may be prosecuted or initiated by one or more government entities and/or private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation.

Laws governing fraud and abuse apply to hospitals and other health care providers, and to nearly all individuals and entities with which a hospital or other health care provider does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on hospitals and other health care providers. Major elements of certain of these laws and regulations are summarized generally below.

Anti-Kickback Laws. The federal Medicare/Medicaid Anti-Fraud and Abuse Amendments to the Social Security Act (the “Anti-Kickback Law”) make it a criminal felony offense (subject to certain exceptions) to knowingly and willfully offer, pay, solicit or receive remuneration in order to induce business for which reimbursement is provided under the Medicare or Medicaid programs or other “federal health care programs,” or in return for the purchasing, leasing, ordering or arranging for, or recommending the purchasing, leasing, or ordering of, any good, facility, service or item for which payment is made in whole or in part under a federal health care program. For the purposes of the Anti-Kickback Law, a “federal health care program” includes the Medicare and Medicaid programs, as well as any other health plan or program funded directly, in whole or in part, by the United States government. Colorado statutes also specifically proscribe unearned rebates and the division of professional fees. The Affordable Care Act contains provisions relaxing the intent requirements for criminal liability under the Anti-Kickback Law, so that actual knowledge of statutory requirements or specific intent to violate them is not required for a criminal prosecution. The Affordable Care Act also provides that Anti-Kickback Law violations may constitute a basis for False Claims Act liability. See “—Billing and Reimbursement Practices” below.

In addition to criminal penalties, violations of the Anti-Kickback Law can lead to civil monetary penalties and suspension or exclusion from participation in Medicare, Medicaid and other federal health care programs. A person who violates the Anti-Kickback Law is subject to damages of up to three times the total amount of remuneration offered, paid, solicited or received. The government may also exclude from a federal health care program any individual who has a direct or indirect ownership or control interest in a sanctioned entity and has acted in deliberate ignorance or is an officer or managing employee of the sanctioned entity, irrespective of whether the individual participated in the wrongdoing. Exclusion of any Member of the Obligated Group from the Medicare or Medicaid programs would have a material adverse impact on the operations and financial condition of the Obligated Group. The IRS has taken the position that hospitals which are in violation of the Anti-Kickback Law may also be subject to revocation of their tax-exempt status.

The scope of prohibited payments in the Anti-Kickback Law is broad and has been broadly interpreted by courts in many jurisdictions. Read literally, the statute places at risk many otherwise legitimate business arrangements, potentially subjecting such arrangements to lengthy, expensive investigations and prosecutions initiated by federal and state governmental officials. In particular, the Office of the Inspector General of HHS (the “OIG”) has expressed concern that the acquisition of physician practices by entities in a position to receive referrals of business reimbursable by Medicare from such practices could violate the Anti-Kickback Law. In addition, the Anti-Kickback Law covers certain economic arrangements involving hospitals, physicians and other health care providers, including joint ventures, space and equipment rentals, management and personal services contracts and physician employment contracts. HHS has adopted regulations establishing certain payment practices and arrangements as “safe harbors” which are deemed not to violate the Anti-Kickback Law. These safe harbors include specifically described arrangements covering investment interests, space and equipment rentals, personal services and management contracts, sales of physician practices, referral services, warranties, discounts, arrangements with group purchasing organizations, waivers of beneficiary coinsurance and deductible amounts, joint ventures with respect to ambulatory surgery centers and payment of physician malpractice insurance premiums. The safe harbors are, however, narrow, and do not cover a wide range of economic relationships which many hospitals, physicians and other health care providers have historically considered to be legitimate business arrangements not prohibited by the Anti-Kickback Law. Because the safe harbor regulations do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, it is uncertain whether hospitals and other health care providers that have these arrangements or relationships may need to alter them in order to ensure compliance with the Anti-Kickback Law.

Billing and Reimbursement Practices. Health care providers, including hospitals and physicians' clinics, are also subject to criminal, civil and exclusionary penalties for violating billing and reimbursement standards under state and federal law. In recent years, state and federal enforcement authorities have investigated and prosecuted providers for submitting false claims to Medicare or Medicaid for services not rendered or for misrepresenting the level or necessity of services actually rendered in order to obtain a higher level of reimbursement. The United States Department of Justice has pursued a number of national investigations concerning allegations under the federal False Claims Act relating to alleged improper billing practices by hospitals. Significant fines and penalties are being imposed in these areas and, since enforcement authorities are in a position to exert considerable settlement pressure against providers, substantial settlement amounts are being paid. In addition, the False Claims Act authorizes "qui tam" actions in which a private person (known as a "relator") sues on behalf of the government. Because qui tam lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is generally impossible to determine whether any such actions under seal are pending against a Member of the Obligated Group and no assurances can be made that such actions will not be filed in the future. False Claims Act violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital and other health care providers. If a lawsuit is successful, the relator is eligible to receive a percentage of the recovered amount. The Affordable Care Act also allows CMS to reduce provider payments by set-offs for various types of federal liabilities that providers (or their affiliates) may have. This "cross-provider" recovery provision (which may extend to all entities sharing a federal tax identification number) constitutes an important change from prior rules.

Under the Affordable Care Act, the federal False Claims Act (the "FCA") was expanded to include overpayments that are discovered by a healthcare provider and are not promptly refunded to the applicable federal healthcare program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The final rule which took effect in March 2016 requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not so reported and returned, it becomes an "obligation" under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. There was initially great uncertainty in the industry as to when an overpayment is technically "identified" and the ability of a provider to determine the total amount of an overpayment and satisfy its repayment obligation within the required time period. The March 2016 final rule clarified that an overpayment is considered to have been identified when the person has or should have, through the exercise of reasonable diligence, determined that the person has received an overpayment and quantified the amount of the overpayment. That final rule also established a six year lookback period, meaning overpayments must be reported and returned only if a person identifies the overpayment within six years of the date the overpayment was received.

In June 2016, the DOJ issued a rule that more than doubles civil monetary penalties under the FCA. These increases took effect on August 1, 2016 and apply to FCA violations after November 2, 2015.

In June 2016, the United States Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex rel. Escobar*, No. 15-7 (U.S. June 16, 2016). Prior to *Escobar*, lower courts had split on the issue of whether the FCA extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The United States Supreme Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government's determination as to whether to pay the

claim. There is considerable uncertainty as to the application of the Escobar holding, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and subregulatory guidance.

In 2010, the State legislature adopted the “Colorado Medicaid False Claims Act” authorizing civil actions by the State as well as private rights of action against a person submitting false Medicaid claims.

These enforcement activities are aimed at a wide variety of health care related activities, many of which have not generally been perceived as “fraud.” In many areas, regulatory authorities have not provided clear guidance. The False Claims Act and similar laws may be violated merely by reason of inaccurate or incomplete reports, and ordinary course errors and omissions may result in liability. Because the Medicare and Medicaid programs impose complex mechanisms for the determination of proper billing codes under the prospective and DRG payment systems, around which the Members of the Obligated Group have structured their accounting and financial systems, and because future modifications to Medicare and Medicaid may occur, the Members of the Obligated Group may not be able to comply expeditiously with such modifications, resulting in an adverse effect on operations.

Restrictions on Referrals. The federal “Stark Law” prohibits physicians from referring Medicare or Medicaid patients for certain designated health services where the physician has an ownership or other financial interest in the provider of the referral services. Any services furnished pursuant to a referral prohibited under the Stark Law are not eligible for payment by the Medicare or Medicaid programs, and the provider is prohibited from billing any third party for such services. Violations can result in denial of payment, imposition of substantial civil money penalties and exclusion from the Medicare and Medicaid programs.

There are a number of exceptions for certain arrangements, such as employment arrangements, personal service and physician recruitment activities meeting specified criteria, which are not considered violative of these federal referral prohibitions. In addition, the Stark Law has a limited exception that applies to qualifying academic medical centers and their referring physicians. Regulations which the Secretary of HHS has stated are indicative of HHS’ position provide further clarification regarding the application of these federal laws; however, numerous ambiguities and questions of interpretation exist concerning application of referral restrictions to specific business arrangements. Colorado statutes similarly provide that it is unlawful for physicians participating in a medical assistance program to refer a person for certain designated health services if the physician or his immediate family has a financial interest with the person or in the entity that receives the referral. The term “financial interest” is broadly defined to include most forms of direct and indirect remuneration or ownership. The Colorado statute also contains various exemptions from the self-referral prohibition. The Affordable Care Act contains additional restrictions on some Stark Law exceptions, and also provides new self-disclosure protocols for Stark Law violations.

Management of the Obligated Group believes that the Obligated Group is currently in material compliance with the Stark Law provisions. However, in light of the scarcity of case law interpreting the Stark Law provisions and the breadth and complexity of these provisions, there can be no assurances that the Obligated Group will not be found to have violated the Stark Law provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations of the Obligated Group or the financial condition of the Obligated Group.

Anti-Dumping. In 1986, in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient’s inability to pay for the services provided, Congress enacted the Emergency Medical Treatment and Active Labor Act. This so-called “anti-dumping” law restricts a hospital’s right to inquire as to the patient’s ability to pay until a medical screening exam has been

performed and if necessary, the patient's condition has been stabilized. It requires adherence to certain procedures before an emergency patient or patient in labor may be transferred to another facility. Failure to comply with this law can result in exclusion from the Medicare and/or Medicaid programs as well as civil and criminal penalties. Failure of any Member of the Obligated Group to meet its responsibilities under the law could adversely affect the financial condition of the Obligated Group.

Other Federal Legislation. Extensive procedural and substantive changes to fraud and abuse and reimbursement related provisions of federal law have been enacted. In part, the changes provide funding and other incentives to encourage more vigorous enforcement of existing law. In addition, criminal and civil penalty provisions have been added, existing requirements and penalties have been extended to additional federal programs, and changes have been made to mandatory and permissive exclusion provisions. Criminal violations relating to "health care fraud" and "federal health care offense" have been defined. Civil monetary penalties have been added for actions such as patterns of incorrect coding or billing for unnecessary services, offering inducements to beneficiaries to obtain services from a particular provider, and for contracting with, or employing, an individual who is excluded from participation in a federal health care program. These legislative changes have and will continue to produce a very substantial number of proposed and final rules, advisory opinions and other notifications, all of which could have a material adverse effect on the financial condition or results of operations of the Obligated Group.

Compliance. Management of the Members of the Obligated Group believes that its business relationships, billing and claims practices and other operations and activities materially comply with the terms of all applicable State and federal fraud and abuse laws and regulations, including the Anti-Kickback Law. However, in light of the broad scope of these provisions, the narrowness of safe harbor regulations, and the scarcity of case law or other concrete guidance in interpreting them, there can be no assurance that any Member of the Obligated Group will not be challenged under the various fraud and abuse provisions in the future. Such a challenge could materially adversely affect the financial condition of the Obligated Group. The increasing pace of development of new laws and regulations increases the risk of failure to comply with applicable legal requirements as interpreted by federal and State agencies. The Members of the Obligated Group maintain ongoing compliance programs.

Electronic Transmission of Health Information; Privacy and Security Regulations

Pursuant to the provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), CMS has established electronic data transmission standards for health care providers. CMS has also promulgated regulations concerning the privacy of health data and the security of such data. Business associate agreements have been entered into by the Members of the Obligated Group in compliance with the privacy regulations. Violations of privacy or other HIPAA regulations carry significant civil and criminal penalties.

The federal Health Information Technology for Economic and Clinical Health Act ("HITECH") adopted in 2009 contains additional privacy and security provisions including requiring health care providers to notify individuals and HHS of unauthorized acquisition, access, use or disclosure of certain protected health information and extending enforcement authority to state attorneys general. Although HIPAA does not provide for a private right of action, these reporting obligations increase the risk of government enforcement as well as class action lawsuits filed under state privacy or consumer protection laws, especially if large numbers of individuals are affected by a breach, and can cause reputational harm. The HITECH Act provides that individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods to be established by HHS for this private recovery, although HHS has not yet issued rulemaking to effectuate this statutory provision.

The Office for Civil Rights (“OCR”) is the administrative office that is tasked with enforcing HIPAA. OCR has stated that it has moved from education to enforcement in its implementation of HIPAA. Recent settlements of HIPAA violations for breaches involving lost data have reached the millions of dollars. Any breach of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered health care provider or health plan.

The Members of the Obligated Group believe they are in substantial compliance with privacy and security laws and regulations.

The HITECH Act also established incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records (“EHR”) technology. Health care providers demonstrate their meaningful use of EHR technology by meeting objectives specified by CMS for using health information technology and by reporting on specified clinical quality measures. Providers that do not meet federal standards in this area will be subject to reimbursement reductions. The Members of the Obligated Group have achieved their Stage 3 meaningful use objectives including Program Year 2016 attestation. In addition, CMS has engaged a contractor that conducts pre-payment and post-payment audits of certain selected health care providers that have submitted meaningful use attestations. A provider who fails the audit will have an opportunity to appeal. Ultimately, providers that elect not to appeal or fail on appeal will have to repay any incentive payments that they received through these programs or refund Medicare reimbursement that would have been reduced as part of the payment reductions.

The Cures Act contains a number of provisions regarding health information technology and health care privacy, including: (a) the privacy of protected health information used and disclosed as part of research; (b) permitted uses and disclosures of mental health and substance abuse treatment information; and (c) the interoperability of EHR networks and patient access to their information in EHR. The legislation calls for a number of studies and for guidance from HHS in implementing and clarifying Cures Act provisions. Certain of the Cures Act provisions and anticipated regulations are intended to reduce regulatory or administrative burdens related to EHRs in the Medicare EHR incentive program and other Medicare programs. The impact of these recent and anticipated regulatory, policy and legislative changes on the operations of the Members of the Obligated Group cannot be predicted.

Federal, state and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals’ personal information, including patient health information. Many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. The public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement and negative media attention. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider’s reputation and materially adversely affect business operations. In a large hospital or health systems, there can often be security incidents related to patient information, which stem from a variety of causes ranging from external or internal deliberate invasions by individuals or employees, to inadvertent loss or misdirection of paper or electronic records, to theft of hardware or software.

Enforcement Affecting Clinical Research

The relationships between the sponsors of research and physicians or hospitals may implicate the Anti-Kickback Law or the FCA. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. HHS elevated and strengthened its Office of Human Research Protection, one of the agencies with responsibility for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration (“FDA”) also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the OIG, in its recent “Work Plans” has included several enforcement initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health and other agencies of the U.S. Public Health Service. There have been a number of government investigations and settlements involving hospital use of federal grant funding in connection with clinical trials and also a settlement involving the submission of claims to Medicare for services provided in a clinical trial. These agencies’ enforcement powers range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs, and errors in billing of the Medicare program for care provided to patients enrolled in clinical trials that is not eligible for Medicare reimbursement can subject health care providers to sanctions as well as repayment obligations. In January 2017, HHS issued new final regulations governing clinical research activities, and it is difficult to determine at this time how those new rules will affect potential liability of health care providers engaging in clinical research. In addition to risks under the FCA, should there be a finding of improper conduct on the part of an Obligated Group Member related to research, it is possible that the government could suspend such Member’s research operations or terminate the Member’s ability to participate in government-sponsored research programs.

The Cures Act contains many provisions related to research and clinical trials, including making significant changes to the way the FDA approves new drugs and medical devices. Among other things, the legislation calls on the FDA to consider new types of data, such as patient experience data, in its drug approval process. The legislation also permits drug manufacturers to utilize new types of clinical trial designs in order to collect data in the drug approval process. The intent of many of the statute’s provisions is to speed the approval of new drugs and medical devices. Whether the Cures Act realizes these goals will depend on the adoption of new FDA regulations, policy guidance and FDA approval practices. Final revisions to the Federal Policy for the Protection of Human Subjects (known as the “Common Rule”) were issued on January 19, 2017. The revisions are intended to reduce burden, delay and ambiguity for investigators and better protect human subjects involved in research. The impact of these and other regulatory, policy and legislative changes on the research-related operations of the Members of the Obligated Group cannot be predicted.

Employer Status

Hospitals and health care providers are major employers with mixed technical and nontechnical workforces. The delivery of health care and related services is labor intensive. Labor costs, including salaries, benefits and other liabilities associated with a workforce, have significant impacts on hospital and health care provider operations and financial condition. Developments affecting hospitals and health care providers as major employers include: (1) imposition of higher minimum or living wages; (2) enhanced occupational health and safety standards; and (3) penalization of employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a

material adverse impact on one or more Members of the Obligated Group and, in turn, their ability to make debt service payments with respect to the Bonds.

Section 340B Drug Pricing Program

Hospitals that participate (as “covered entities”) in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the “340B Program”) are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. On August 28, 2015, the Health Resources and Services Administration (“HRSA”) published proposed 340B Drug Pricing Program Omnibus Guidance in the Federal Register, 80 Fed. Reg. 52300 (“Proposed Guidance”). On January 30, 2017, HRSA withdrew its 340B Drug Pricing Program Omnibus Guidance. By withdrawing the guidance, HRSA has indicated that the Omnibus Guidance will not be adopted as originally proposed. If the proposed guidance had been enacted, it could have restricted the ability of Obligated Group Member hospitals eligible for the 340B Program to purchase drugs under the 340B Program. Although HRSA could re-introduce similar guidance in the future, new guidance may also be introduced that materially differs from the original proposal. Any such changes could potentially have a material adverse effect on the operations or financial condition of the Members of the Obligated Group.

The rules and regulations applicable to participation in the 340B Program are technical, complex, numerous and may not fully be understood or implemented by billing or reporting personnel. Failure to comply with the 340B Program requirements or rules could result in exclusion from the 340B Program thus significantly increasing costs for drugs as well as creating a repayment obligation, which in either case could have a material adverse effect on the operations or financial condition of the Members of the Obligated Group.

On November 1, 2017, CMS released a final rule revising the Medicare outpatient PPS. The final rule dramatically cut reimbursement for drugs purchased through the 340B Drug Pricing Program. While separately payable drugs purchased under the 340B Program are currently reimbursed at average sale price (“ASP”) plus 6%, the final rule cuts reimbursement to ASP minus 22.5% beginning January 1, 2018. CMS estimates that this reduction will yield \$1.6 billion in savings.

HHS Secretary Alex Azar in a private meeting with Republican House lawmakers recently discussed standardizing the 340B drug discounts offered to providers, cutting it to 20% of the list price, which is significantly lower than the typical 40% to 60% discount that 340B hospitals currently receive. It is not known if this proposal will be adopted or which additional proposals may be proposed or adopted or, if adopted, what effect such proposals would have on the Obligated Group’s operations or revenue.

Antitrust

Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. Consolidation transactions among health care providers is an area in which investigation and enforcement activity by federal and state antitrust agencies is particularly frequent and vigorous. The application of the federal and state antitrust laws to health care is evolving (especially as the Affordable Care Act is implemented and other coordination of care initiatives are implemented, repealed or replaced), and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting, medical staff credentialing disputes, and hospital mergers and acquisitions.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be

entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. Investigations and proceedings arising from the application of federal and state antitrust laws can require the dedication of substantial resources by affected providers and can delay or impede proposed transactions even if ultimately it is determined that no violation of applicable law would occur as a result of the proposed transaction.

TAXING AND SPENDING LIMITS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), was approved by the voters of Colorado in November 1992 and generally took effect on December 31, 1992. In general, TABOR restricts the ability of the State, local governments and other political subdivisions to increase revenue, to impose or increase taxes and to incur financial obligations. However, "enterprises," defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all State and local governments combined, are excluded from the provisions of TABOR. While several provisions of TABOR have been interpreted by the courts, many provisions remain unclear and may require judicial interpretation in the future.

The Authority believes that it currently constitutes an "enterprise" for purposes of, and therefore is not a "district" and is not subject to, TABOR. However, no assurance can be given that a court would reach the same conclusion. Also, TABOR contemplates that enterprise status can change over time. While it appears that any general State or local government subsidy of the Authority would be treated as a grant to the Authority for purpose of the "enterprise" definition, the Authority believes that Medicaid and Colorado Indigent Care Program payments it receives from the State are payments for services rendered and accordingly should not be treated as grants. Also, proposals have been introduced and may be introduced in the future to further restrict or eliminate the enterprise exemption under TABOR for governmental entities such as the Authority. If the Authority was determined not to qualify as an enterprise, or failed to continue to qualify as an enterprise, and was determined to not be a "district," the Authority's revenue would be subject to spending and other limitations under TABOR, which could restrict the Authority's ability to fund operations, maintenance and capital projects. In that event, TABOR could be interpreted to require the inclusion of the Authority's revenue in the State's fiscal year spending base for purposes of the State's spending limits. Under TABOR, non-enterprise spending and revenue of the State are subject to certain limits, so the effect of any future inclusion of the Authority as a part of the State's TABOR compliance limitations would depend on the State's overall non-enterprise spending and revenue at that time. If the Authority were determined to be subject to TABOR restrictions, its ability to increase its charges could be adversely affected, and TABOR revenue and spending limitations could place the Authority at a competitive disadvantage with other entities not subject to TABOR.

Regardless of whether the Authority is considered to be exempt from the direct effects of TABOR, TABOR may, in the future, have an indirect impact on the System's operations. The Authority receives a substantial portion of its revenue from the State in the form of payment for services rendered to Medicaid beneficiaries and under the Operating Agreement and other agreements with the Regents. TABOR-imposed limitations on the State's ability to raise taxes, increase other revenue or increase spending may affect the State's appropriation of funds to pay for care provided by the Authority or fund other agreements with the Regents, and could ultimately have an adverse effect on the System's financial condition. This situation is exacerbated due to an amendment to the State Constitution which mandates certain annual increases in education spending by the State notwithstanding the revenue limitations of TABOR.

UNDERWRITING

Citigroup Global Markets Inc. (the “Underwriter”) has agreed, subject to the terms of a Bond Purchase Agreement among the Authority, UCHealth and the Underwriter, to purchase from the Authority the Bonds offered hereby. The Underwriter has also agreed, pursuant to and subject to the terms of a separate Bond Purchase Agreement, to purchase from the Authority the Series 2018A Bonds.

The Underwriter has agreed to purchase the Bonds at a price of \$151,215,836.98 (representing the \$151,435,000 aggregate principal amount of the Bonds less Underwriter’s discount of \$219,163.02). The Bonds are being offered for sale to the public at the initial price stated on the inside cover of this Official Statement. The initial offering price is subject to change after the date hereof. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement, including a condition that the Series 2018A Bonds are issued simultaneously with the issuance of the Bonds.

The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased, and that the Obligated Group will, to the extent permitted by law, indemnify the Underwriter against losses, claims and liabilities arising out of any untrue statement of a material fact contained in this Official Statement or the omission herefrom of any material fact in connection with the transactions contemplated by this Official Statement, except to the extent limited by the provisions of the Bond Purchase Agreement.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Members of the Obligated Group for which they received or will receive customary fees and expenses, including acting as the counterparty for interest rate swap agreements with one or more Members of the Obligated Group. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—Investment Policy and Investment Allocation” in Appendix A. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of Members of the Obligated Group.

RATINGS

Moody’s Investors Service Inc. (“Moody’s”), S&P Global Ratings (“S&P”) and Fitch Ratings (“Fitch”) have assigned their long-term municipal bond ratings of “Aa3,” “AA-” and “AA”, respectively, to the Bonds, and their short-term municipal bond ratings of “VMIG1,” “A-1+” and “F1+”, respectively, to the Bonds. The ratings reflect only the respective views of those organizations, and an explanation of the significance of such ratings may be obtained from each of them. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by Moody’s, S&P or Fitch if, in the judgment of Moody’s, S&P or Fitch, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that the ratings will continue for any given

period of time or that the ratings will not be revised downward, suspended or withdrawn entirely by such rating agencies, if, in their respective judgments, circumstances so warrant. Any such downward revision, suspension or withdrawal of any rating may have an adverse effect on the market price and marketability of the Bonds.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Members of the Obligated Group with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Members of the Obligated Group have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is also of the opinion that under existing laws of the State of Colorado, the Bonds, and the income therefrom, are free from taxation by the State of Colorado. Bond Counsel expresses no other opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

Bond Counsel's opinion is rendered in reliance on the opinion of the Chief Legal Officer of UCHealth, relating to, among other items, the status of the 501(c)(3) Obligated Group Members as organizations described in Section 501(c)(3) of the Code.

Bond Counsel's opinions are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date of the opinions. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to Bond Counsel's attention after the date thereof. Bond Counsel has no obligation to update, revise or supplement the opinion letter after the date thereof.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain

recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The proposed form of Bond Counsel's opinion with respect to the Bonds is attached as Appendix G to this Official Statement.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this caption "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

FINANCIAL STATEMENTS

The audited Basic Financial Statements of UCHealth as of June 30, 2017 and 2016 and for the years then ended, as well as unaudited balance sheets and statements of revenue, expenses and changes in net position as of and for the nine month periods ended March 31, 2018 and 2017, are included in Appendix B.

INDEPENDENT AUDITORS

The Basic Financial Statements of UCHealth as of and for the years ended June 30, 2017 and 2016 included in Appendix B have been audited by EKS&H LLLP, independent accountants, as stated in their report appearing therein.

CONTINUING DISCLOSURE

UCHealth, on its own behalf and on behalf of the Obligated Group, has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Obligated Group by not later than 150 days after the end of UCHealth's fiscal year (which currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by UCHealth with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") website of the MSRB accessible at www.emma.msrb.org. All notices of enumerated events will be filed by UCHealth with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is described in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

In addition, UCHealth has covenanted to provide to the MSRB a quarterly unaudited balance sheet, cash flow statement and consolidated statement of operations of the Obligated Group for each fiscal quarter of each fiscal year (beginning with the quarter ending September 30, 2018) not later than sixty days after the end of each such fiscal quarter. For so long as any Bonds are bearing interest at a Weekly Interest Rate (but only if no Liquidity Facility is in effect), UCHealth has covenanted to provide to the MSRB, not later than 45 days after the end of each fiscal quarter of the Obligated Group's fiscal year, beginning with the fiscal quarter ending September 30, 2018, a liquidity report containing information with respect to the Obligated Group in substantially the form attached to the Continuing Disclosure Agreement. See APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

During the five year period preceding the date of this Official Statement (i) certain financial information and notice of certain events provided by the Obligated Group in accordance with prior undertakings was not linked to each of the Obligated Group's outstanding bond issues and related CUSIP numbers on EMMA, (ii) certain annual and quarterly financial information and annual operating data was filed late, and (iii) certain annual operating information, including medical staff and case mix data, has not been included in the Obligated Group's periodic filings, all as required by the Obligated Group's continuing disclosure undertakings. No notices of failure to file the foregoing information were filed, however all filings have been brought current. In addition, some material event notices were not filed in connection with certain bond insurer rating changes. UCHealth has reviewed its continuing disclosure undertakings and has implemented procedures that will aid the Obligated Group Members in their on-going compliance with their continuing disclosure undertakings.

LEGAL MATTERS

Legal matters incidental to the authorization and issuance of the Bonds by the Authority are subject to the approval of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, whose approving opinion will be delivered with the Bonds. Kutak Rock LLP has also been retained to advise the Authority concerning, and has assisted in, the preparation of this Official Statement. Certain legal matters will be passed upon for UCHealth and the Authority by Gary Reiff, Esq., Chief Legal Officer for UCHealth and by Kutak Rock LLP as special counsel to UCHealth. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP and for the Initial Liquidity Facility Provider by Chapman and Cutler LLP.

LITIGATION

There is not now pending or, to the knowledge of the Authority and the other Members of the Obligated Group, threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or the 2018 Master Note Obligations or questioning or affecting the validity of the Bonds or the 2018

Master Note Obligations or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Authority and the other Members of the Obligated Group, threatened, which in any manner questions the right of the Authority or the other Members of the Obligated Group, as applicable, to enter into the Master Indenture, the Bond Indentures or the Initial Liquidity Facilities, or to secure the Bonds in the manner provided in the Bond Indentures, the Master Indenture and the 2018 Master Note Obligations.

There is no litigation, action, claim or proceeding pending or, to the knowledge of the Authority and the other Members of the Obligated Group, threatened, against or affecting the Authority or a Member of the Obligated Group, except litigation which, in the judgment of management of the Authority, will not result in any recovery against, or in any costs or expenses to, the Authority or such Member of the Obligated Group which would have a material adverse effect on the financial position or results of operation of the Obligated Group.

FINANCIAL ADVISOR

The Authority has retained Kaufman, Hall & Associates, LLC, Skokie, Illinois, as financial advisor in connection with the issuance of the Bonds. Although Kaufman, Hall & Associates, LLC has assisted in the preparation of this Official Statement, Kaufman, Hall & Associates, LLC was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

This Official Statement (including the information included in Appendix A) contains “forward looking statements.” When used in this Official Statement, the words “estimate,” “intend,” “expect,” “plan,” “budget” and similar expressions identify forward-looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements.

MISCELLANEOUS

The references herein to the Act, the Bond Indentures, the Master Indenture, the 2018 Master Note Obligations, the Initial Liquidity Facilities, the Continuing Disclosure Agreement and other documents referred to in this Official Statement are brief summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to the Act and such documents. Copies of the documents mentioned under this caption are on file at the offices of the Underwriter and, following delivery of the Bonds, will be on file at the office of the Bond Trustee.

The rights of the Holders of the Bonds are fully set forth in the Bond Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Official Statement involving matters of opinion, estimates or projections, whether or not expressly stated as such, they are not to be construed as representations of fact.

The attached Appendices A through H are integral parts of this Official Statement and must be read together with all of the foregoing statements.

Neither the Bond Trustee nor the Master Trustee has reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or other offering materials.

The Authority has approved the use of this Official Statement in connection with the offering of the Bonds.

UNIVERSITY OF COLORADO HOSPITAL
AUTHORITY

By /s/ William Cook
President and Chief Executive Officer

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APPENDIX A

INFORMATION RELATING TO UNIVERSITY OF COLORADO HEALTH AND THE OBLIGATED GROUP

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UCHEALTH AND THE OBLIGATED GROUP

The System

The University of Colorado Health system is a nonprofit health system (the “System”) formed in 2012 by the University of Colorado Hospital Authority (the “Authority”) and Poudre Valley Health System (the “PVH System”). The System combines an academic medical center with community hospitals for a network of care that stretches from the Colorado/Wyoming border to south/central Colorado and currently includes ten acute care hospitals which have a combined 1,879 licensed beds. The System serves patients throughout the State of Colorado (the “State”) and in the larger Rocky Mountain region. The System is closely affiliated with the University of Colorado and is dedicated to advancing the teaching, research and clinical care missions of the university.

The System was created pursuant to a Joint Operating Agreement (the “Joint Operating Agreement”) between the Authority and Poudre Valley Health Care, Inc. (“Poudre Valley”) and is governed by University of Colorado Health (“UCHealth”), a Colorado nonprofit membership corporation, formed as a joint operating company to carry out the provisions of the Joint Operating Agreement.

The Authority is a body corporate and a political subdivision of the State created by the State legislature in 1991 pursuant to Part 5 of Article 21 of Title 23, Colorado Revised Statutes, as amended (the “Act”), to own and operate the facilities constituting the University of Colorado Hospital (“University Hospital”) separate and independent from the Regents of the University of Colorado (the “Regents”). University Hospital is the teaching hospital of the University of Colorado (“CU”), has 670 licensed beds and is the only academic medical center in the State of Colorado.

The PVH System, which includes Poudre Valley and its affiliated entities, is a nonprofit regional integrated healthcare delivery system, which operates two acute care hospitals which have a combined 408 licensed beds, and is headquartered in Fort Collins, Colorado. Poudre Valley was created by the Health District of Northern Larimer County (the “District”) to lease and operate Poudre Valley Hospital (“PVH”). Medical Center of the Rockies was formed by the PVH System in 2002 for the purpose of developing a new acute care hospital in Loveland, Colorado (“MCR”).

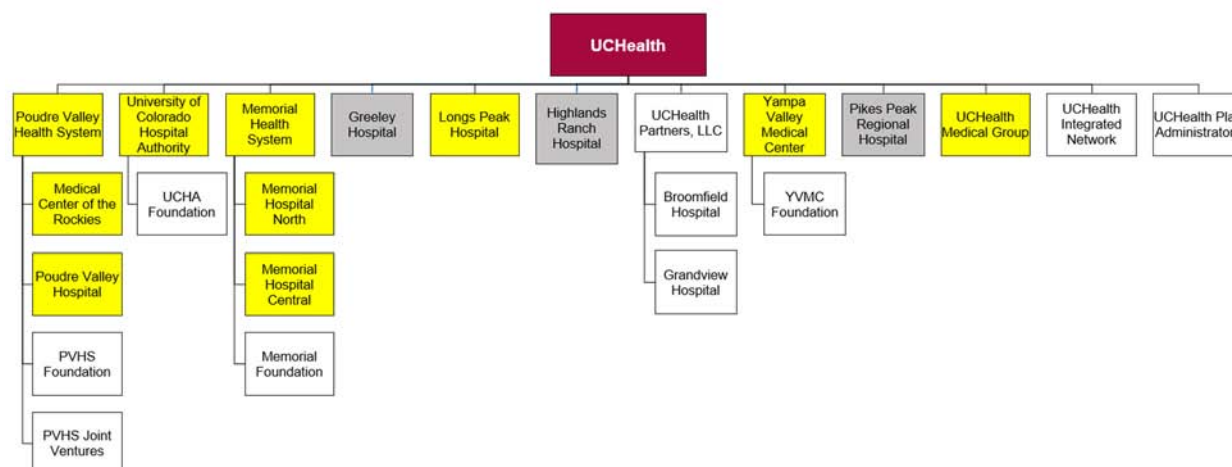
On October 1, 2012, Poudre Valley entered into a long-term lease (the “MHS Lease”) with the City of Colorado Springs, Colorado (the “City”) to assume operation of Memorial Health System (“MHS”), a healthcare system owned by the City that includes two acute care hospitals and has a combined 671 licensed beds. The MHS Lease was assigned by Poudre Valley to UCH-MHS, a Colorado nonprofit corporation formed by the Authority for the purposes of serving as lessee under the MHS Lease and fulfilling the System’s obligations with respect to governance of MHS.

Pursuant to the Joint Operating Agreement, the PVH System and the Authority continue to operate their respective facilities and own their legacy assets, subject to the provisions of the Joint Operating Agreement relating to the powers of UCHealth and its board of directors. UCH-MHS operates the MHS facilities subject to the provisions of the MHS Lease and the Integration Agreement described herein. UCH-MHS is not directly a party to the Joint Operating Agreement.

This Appendix A contains certain information relating to UCHealth, the Authority, the PVH System, UCH-MHS and their affiliates. Capitalized terms used herein but not defined have the meanings assigned thereto in the body of this Official Statement.

UCHealth management divides the System’s operations into three regions: the North Region, the Central (Metropolitan Denver) Region and the South Region. See “SYSTEM OPERATING

INFORMATION” below. The chart on the following page depicts the organization of the System. The chart also identifies the current Members of the Obligated Group and the entities expected to be added to the Obligated Group in the near future. **Some of the entities listed in the chart are not Members of the Obligated Group.** See “—The Obligated Group” below.



* Obligated Group Members are indicated in yellow and expected future additions to the Obligated Group are indicated in gray.

The Obligated Group

The Authority was initially the sole member of the Obligated Group (the “UCHA Obligated Group” or the “Obligated Group”) under the Master Trust Indenture dated as of November 1, 1997 (as supplemented and amended, the “UCHA Master Indenture” or the “Master Indenture”), between the Authority and Wells Fargo Bank, National Association, as master trustee; and Poudre Valley and Medical Center of the Rockies were the only members of the Obligated Group (the “PVH Obligated Group”) under the Amended and Restated Master Trust Indenture dated as of March 1, 2005 (as supplemented and amended, the “PVH Master Indenture”), among Poudre Valley, Medical Center of the Rockies and Wells Fargo Bank, National Association, as master trustee.

On July 1, 2012, Poudre Valley and Medical Center of the Rockies became members of the UCHA Obligated Group under the UCHA Master Indenture, and the Authority became a member of the PVH Obligated Group under the PVH Master Indenture. The PVH Master Indenture will be defeased on the date of issuance of the Bonds and the Series 2018A Bonds (collectively, the “Series 2018 Bonds”).

UCHealth and UCH-MHS became Members of the Obligated Group in 2013 and 2014, respectively, upon receipt of letters from the Internal Revenue Service determining the organizations to be organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). Longs Peak Hospital and Poudre Valley Medical Group, LLC (doing business as UCHealth Medical Group) recently became Members of the Obligated Group, upon receipt of letters from the Internal Revenue Service determining the organizations to be organizations described in Section 501(c)(3) of the Code. The board of directors of Yampa Valley Medical Center adopted a resolution approving of Yampa Valley Medical Center becoming a Member of the Obligated Group effective January 15, 2018, and Yampa Valley Medical Center was added as an Obligated Group Member shortly thereafter.

The Members of the Obligated Group expect to add Highlands Ranch Hospital (see “SYSTEM OPERATING INFORMATION—Central (Metropolitan Denver) Region Facilities and Operations”), Greeley Hospital (see “SYSTEM OPERATING INFORMATION—North Region Facilities and Operations”) and Pikes Peak Regional Hospital (see “SYSTEM OPERATING INFORMATION—South Region Facilities and Operations”) as Members of the Obligated Group upon receipt of letters from the Internal Revenue Service determining the organizations to be organizations described in Section 501(c)(3) of the Code. The addition of Members to the Obligated Group is permitted under the circumstances described in the Master Indenture. See “THE MASTER INDENTURE—Entrance Into the Obligated Group” in Appendix C. Highlands Ranch Hospital and Greeley Hospital will each be operated pursuant to a management agreement with UCHealth during the period of time beginning with such hospital facility being placed in service and ending upon the receipt by the hospital of 501(c)(3) status from the Internal Revenue Service.

Mission

The mission of UCHealth is to improve lives. UCHealth strives to improve lives in big ways through learning, healing and discovery; in small, personal ways through human connection; but in all ways, improve lives. UCHealth’s core values include putting patients first, integrity and excellence and its vision is to move patients from health care to health.

SYSTEM OPERATING INFORMATION

UCHealth operates as a single economic entity, with integrated management, information systems, human resources, legal services and finance. System operations and facilities are governed by UCHealth, subject to the terms of the Joint Operating Agreement.

UCHealth has focused on integration in multiple areas across the System to deliver value. One such area has been clinical integration to ensure a patient receives the same care at any System facility. Clinical integration has included the completed installation of a single Epic (electronic health record) system across all System facilities, physician collaboration and sharing of best practices, PACS (picture archiving and communication system) integration and enhanced patient movement throughout the System. The integration efforts have continued to drive quality outcomes as the University Hospital, PVH, MCR, Memorial Hospital North and Memorial Hospital Central all rank near the top of the Vizient, Inc. quality indexes.

UCHealth has also integrated functions and services where possible to generate cost savings. Information technology systems have been consolidated across the System with implementation of the Epic and Lawson (business system) systems. Supply chain management has been consolidated with Vizient, Inc. and management continues to lead efforts to standardize products and services across the System facilities. All revenue cycle functions have been consolidated at the System level, and a standardized capital and productivity based operating budgeting process has been implemented. The System has also generated savings by consolidating employee positions.

System management has divided its facilities and operations into three regions: the North Region, the Central (Metropolitan Denver) Region and the South Region, as described in more detail below. See also “SYSTEM SERVICE AREA AND COMPETITION” in this Appendix A for a description of the System’s primary service area regions in Colorado.

North Region Facilities and Operations

General. The System operates four acute care hospitals in the North Region. A fifth hospital (Greeley Hospital) is under construction and is expected to open in April 2019. The System provides a full range of care services at its four North Region hospitals, including acute inpatient, outpatient and emergency care, as well as tertiary care and other services, including community health education. The System operates one of the region's two Level II trauma care centers.

The System currently operates a total of 492 adult and pediatric beds at the North Region hospitals. The operational bed complement at the North Region hospitals as of March 31, 2018 was as follows:

<u>Clinical Service Area</u>	<u>PVH</u>	<u>MCR</u>	<u>LPH</u>	<u>YVMC</u>	March 31, 2018 <u>Operational</u> <u>Beds⁽¹⁾</u>
Medical/Surgical/ICU	168	144	37	29	378
Obstetric/Gynecology	25	12	8	10	55
Psychiatry	41	--	--	--	41
Rehabilitation	--	18	--	--	18
Total	234	174	45	39	492

⁽¹⁾ Excludes 37 nursery bassinets and 25 neonatal intensive care beds. Includes 41 psychiatry beds in operation at Mountain Crest.

Facilities and Services.

PVH. PVH (which includes the Lemay and Harmony campuses described below) is a regional medical facility located in Fort Collins, Colorado, which operates under a license for 234 beds and offers a wide array of treatments, surgeries, and diagnostic procedures in more than three-dozen medical specialties. PVH provides specialty services in the areas of orthopedics, cardiology and radiology.

The PVH hospital is a five story building located at 1024 South Lemay Avenue in Fort Collins (the "Lemay Campus") with approximately 740,000 square feet, a portion of which dates back to 1925 when the original hospital building was constructed. A partial replacement and expansion project to replace the oldest portions of the existing building was recently completed. This project consisted of approximately 150,000 square feet on three levels and included a new and expanded emergency department, clinical laboratory and inpatient orthopedic department. The project also included additional space for future development. In addition to PVH, the Lemay Campus includes a 60,000 square foot medical office building; a four level employee parking garage; and a two story retail/office building located one block north of PVH which houses the Family Medicine Center and residency program along with other related outpatient services of PVH.

The 96 acre Harmony Campus is located approximately five miles south of the Lemay Campus on land acquired by the District in 1991. The Harmony Campus includes: a 130,000 square foot medical office building, with an attached 83,000 square foot ambulatory care center that includes an ambulatory surgery center; a diagnostic imaging and breast diagnostic center; a radiation and medical oncology center; an additional medical office building that houses two physician practices and the PVH occupational therapy department; and the Redstone building, a 72,000 square foot, two story building which houses administrative and business offices for the System and five condominiums utilized for physician practices.

The Lemay Campus and the Harmony Campus are leased to Poudre Valley pursuant to the District Lease which currently expires on April 30, 2062. See “*District Lease*” below.

In 1998, the PVH System purchased Mountain Crest Behavioral Health Center (“Mountain Crest”), a 41 licensed bed behavioral health facility in south Fort Collins, adjacent to the Harmony Campus. Behavioral health services from the Lemay Campus were relocated to Mountain Crest. The Mountain Crest licensed beds are included in the PVH licensed beds as noted in the table above. The PVH System also operates Marina Plaza at Water Valley, a three story medical office building located in Windsor, Colorado. It houses Poudre Valley Medical Fitness, a 29,000 square foot medically oriented fitness center and a 13,000 square foot clinical education and innovation center. The facility also has unoccupied space for future use.

MCR. MCR is located at the junction of I-25 and Highway 34 in Loveland, Colorado on a 91-acre site that the PVH System purchased in 2002. MCR provides specialty services in the areas of cardiac services, trauma care and surgery. MCR also offers pediatric and women’s care services required for Level II trauma centers.

MCR is a five story plus basement building, opened in 2007 and is licensed for 174 beds. Two privately owned medical office buildings, totaling 156,000 square feet, are located on the MCR campus adjacent to the hospital. Medical Center of the Rockies also operates the Greeley Emergency and Outpatient Surgery Center. This 22,000 square foot facility in northwest Greeley, Colorado opened in 2012 and houses a free standing emergency department and two room procedure center.

Longs Peak Hospital and Surgery Center (“LPH”). LPH is located in Longmont, Colorado, opened in August 2017, and is licensed for 51 beds. The facility consists of a three story building with approximately 219,000 square feet. The facility initially opened with 51 beds in operation (with shelled space to accommodate future expansion), an emergency department, three operating rooms and a laboratory. The project also includes an ambulatory surgery center with four operating rooms.

Greeley Hospital. The System is currently constructing an acute care hospital in Greeley, Colorado, to anchor a projected \$185 million health campus. The hospital will be an approximately 153,000 square foot, four story building located on a 22 acre campus with space for 89 beds (51 beds are expected to be in operation initially). The project also includes construction of a three story health center with 192 examination rooms. A \$1 million renovation of an existing clinic is also planned. The hospital and clinic building are expected to be complete in April 2019. The hospital will include an intensive care unit, emergency department, operating rooms, advanced cardiology services, birth center and on-site pharmacy.

Yampa Valley Medical Center (“YVMC”). The System acquired YVMC, located in Steamboat Springs, Colorado, in September 2017. YVMC is a 39 bed acute care hospital that serves a five-county area of northwest Colorado and a portion of south central Wyoming. YVMC provides emergency care, surgical services and a Family Birth Place with Special Care Nursery. YVMC also provides comprehensive therapy and rehabilitation services, including a swing unit offering short-term rehabilitation stays.

District Lease. In May 1994, the District and Poudre Valley entered into the Hospital Operating Lease Agreement (as amended, the “District Lease”). The District Lease was further amended by the Operating Lease Amendment and Consent Agreement, entered into as of February 28, 2012, among the District, Poudre Valley and UCHealth (the “Amendment and Consent”). The District Lease extends to April 30, 2062, subject to earlier termination. The real property operating assets of PVH and other facilities located at the Lemay campus, as well as the land constituting the Harmony campus site, are leased pursuant to the District Lease. Rent is payable annually in advance on May 1. Annual rent in the amount of \$1,093,752 was paid by Poudre Valley to the District on May 1, 2018. The rental amount to be paid on each following May 1 is 103% of the rental paid to the District on the immediately preceding May 1 (for

example, the rental payment payable on May 1, 2019 will be \$1,126,565). Poudre Valley has created a security interest in its “Pledged Revenues” to secure its rent payment obligations; however, the District subordinated its security interest to the pledge of Poudre Valley’s general revenues under the Master Indenture.

The District Lease obligates Poudre Valley to comply with various operating covenants, including the obligation to fund a capital improvement fund monthly in an amount equal to total monthly depreciation less the prior month’s operating losses, if any. Amounts in the capital improvement fund are to be expended for capital improvements at leased facilities in accordance with the System’s and the PVH System’s board-approved budget. The System and the PVH System may budget amounts from such fund both for future year capital expenditures and payment of principal on debt which financed capital expenditures. The District Lease permits Poudre Valley to incur indebtedness and pursuant to the Amendment and Consent, the District consented to the incurrence of existing and future indebtedness under the Master Indenture and related encumbrances on Poudre Valley’s assets and revenues under the Master Indenture, subject to the conditions set forth therein. The District Lease provides that upon damage, destruction or condemnation, the proceeds of insurance or condemnation awards will be used to repair or rebuild the facilities or be paid over to the District. The District Lease provides for early termination upon default or certain casualty and condemnation events where the leased facilities are not to be rebuilt and in certain circumstances upon a termination of the Joint Operating Agreement. See “SYSTEM GOVERNANCE AND MANAGEMENT—The Joint Operating Agreement” below. Upon termination, the “Leased Hospital Assets” are reconveyed to the District, subject to certain conditions contained in the Amendment and Consent if the Joint Operating Agreement is in effect and Poudre Valley has not then fully effected a withdrawal in accordance with the Joint Operating Agreement. The District Lease provides that upon early termination, the District will assume and be bound by the obligations and covenants of Poudre Valley to which the District has consented, including indebtedness and other financial and other obligations that Poudre Valley is required to assume under the Joint Operating Agreement in connection with a termination of Poudre Valley’s membership in UCHHealth or a dissolution of the Joint Operating Agreement. See Appendix D “SUMMARY OF THE JOINT OPERATING AGREEMENT.” However, the obligation of the District to satisfy its assumed financial obligations will be limited to use of the Pledged Revenues.

Central (Metropolitan Denver) Region Facilities and Operations

General. The System provides services in the Central Region at the System’s campus on the Anschutz Medical Campus (the “UCHHealth Anschutz Campus”) and a related network of off-campus locations, including an additional acute care hospital (with another hospital under construction and scheduled for completion in March 2019), various clinics (including the Inverness Sports Medicine and Ambulatory Surgery Center) and freestanding emergency rooms. University Hospital, operated by the Authority, is the teaching hospital of CU and is the only academic medical center in the State.

The System currently operates a total of 692 adult and pediatric beds at the Central Region hospitals. The operational bed complement at the Central Region hospitals as of March 31, 2018 was as follows:

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<u>Clinical Service Area</u>	<u>University Hospital</u>	<u>Broomfield Hospital</u>	March 31, 2018 <u>Operational Beds</u> ⁽¹⁾
Medicine/Surgery/ICU	560	22	582
Obstetrics/Gynecology	48	--	48
Neonatal Intensive Care	50	--	50
Rehabilitation	12	--	12
Total	670	22	692

⁽¹⁾ Excludes 40 nursery bassinets and 78 CeDAR (addiction, dependency and rehabilitation) beds in operation.

Facilities and Services.

University Hospital. University Hospital is a regional, acute care teaching hospital which offers a full spectrum of primary, secondary, tertiary and quaternary services. University Hospital is licensed for and operates 670 acute care beds. University Hospital's services are supported by a medical staff/faculty representing all major medical and surgical subspecialties, with the exception of pediatric services which are provided by Children's Hospital Colorado ("Children's Hospital"). See "—Principal Affiliations and Joint Ventures—*Children's Hospital*" below. University Hospital provides a comprehensive array of diagnostic and therapeutic services on both an inpatient and outpatient basis. In addition, University Hospital provides ongoing clinical support for the teaching activities at the Anschutz Medical Campus.

University Hospital is known for delivery of highly specialized services. Organ transplantation is one of University Hospital's primary clinical focuses. Surgeons at University Hospital's Multi-Organ Transplant Center perform kidney, pancreas, kidney-pancreas, liver, liver-kidney, heart, lung, double-lung and heart-lung transplants. University Hospital operates the only American Burn Association accredited adult burn unit in the Rocky Mountain region, a nine-bed burn/trauma unit. The hospital, in conjunction with the CU Cancer Center, offers a full range of oncology services, both inpatient and outpatient. The CU Cancer Center is the only National Cancer Institute-designated comprehensive cancer center in the Rocky Mountain region and is one of 49 in the United States. University Hospital also offers comprehensive neurology/neurosurgery services, including a number of programs that are unique in the Rocky Mountain region. The Temple Hoyne Buell Research Laboratories and the Heart Failure Clinical Program at University Hospital are leaders in research and treatment of chronic heart failure disease. The hospital provides a broad range of cardiology services through its Cardiac and Vascular Center, which emphasizes a multi-disciplinary team approach. In 2012, The Joint Commission awarded disease specific certification to the Primary Heart Failure Program.

University Hospital is the primary teaching site for the clinical programs of the CU School of Medicine. The training programs include undergraduate, graduate and post-graduate education in the professional schools, as well as the allied health areas. Students from the Schools of Nursing, Dentistry and Pharmacy train at University Hospital, as do other health professionals on rotation from other educational institutions.

University Hospital is the site for a variety of clinical research programs of CU. In federal fiscal year 2017, CU received 609 National Institute of Health ("NIH") awards totaling \$216 million. CU ranked 26th among academic medical centers based on NIH funding in federal fiscal year 2017. The Carnegie Foundation for the Advancement of Teaching gives CU its highest research rating. Funding sources for research programs include the NIH, the Centers for Disease Control and Prevention, the United States Department of Veterans Affairs (the "VA"), the pharmaceutical and device industries, private foundations and professional societies. University Hospital houses a Clinical Translational Research Center (the "Research Center"), located within the hospital's facilities, which carries out basic physiologic and metabolic research as well as research into innovative treatments to benefit patients. CU is one of the

largest Clinical Translational Science Award (“CTSA”) programs in the nation in terms of total annual funding and productive research. The CTSA grant from NIH funds the Colorado Clinical and Translational Sciences Institute at the Anschutz Medical Campus which includes seven dedicated beds and related infrastructure, and which subcontracts to University Hospital, National Jewish Health, the University of Colorado Boulder, Children’s Hospital, Denver Health Medical Center, and Kaiser Permanente for a wide range of clinical research applications. Because of the inherently developmental nature of research protocols and the increasing governmental regulation and public inquiry regarding research, there is a certain level of unavoidable risk in conducting research programs.

Most of the Authority’s facilities are located at the Anschutz Medical Campus. The campus is located midway between downtown Denver and Denver International Airport on the site of the former Fitzsimons Army Medical Center. The Authority currently leases approximately 57 acres of the 227 acres allocated to CU at the Anschutz Medical Campus.

CU’s Schools of Medicine, Nursing, Pharmacy, Dental Medicine and Public Health and the health sciences programs of the Graduate School are located in facilities on the Anschutz Medical Campus, almost all of which were completed in the past fifteen years. Children’s Hospital relocated to the Anschutz Medical Campus in September 2007, and operates an inpatient hospital, an ambulatory care building, a medical office building and a behavioral health facility on the campus. The VA is in the process of completing a medical center to be located adjacent to the Anschutz Medical Campus, which will replace the existing Veterans Affairs Medical Center located in Denver. In addition, University Physicians, Inc. doing business as CU Medicine owns an office building located on property on the north side of the Anschutz Medical Campus. The State completed an 80-bed extended care nursing facility for veterans on 15 acres of the campus in 2002. The Fitzsimons Life Science District adjacent to the Anschutz Medical Campus includes a 184 acre Colorado Science + Technology Park (the “Park”). The Park is planned to ultimately include 6.1 million square feet of facilities dedicated to bioscience research and development.

CU, Children’s Hospital, the VA, CU Medicine and the other entities, other than the Authority and UCHHealth, with facilities on or adjacent to the Anschutz Medical Campus are not Members of the Obligated Group or UCHHealth Members and are not liable with respect to the Series 2018 Bonds.

The following University Hospital facilities are located on the Anschutz Medical Campus:

- Anschutz Inpatient Pavilion – Consists of a 2-12 story plus basement inpatient tower and a ten story inpatient tower (670 licensed beds total) adjacent and connected to the Anschutz Outpatient Pavilion, with two parking structures for visitors and employees.
- Anschutz Outpatient Pavilion – A seven story building designed for the provision of all diagnostic services and primary and specialized outpatient care, including internal and family medicine, outpatient surgery and women’s services.
- Anschutz Cancer Pavilion – A four story facility which includes diagnostic and treatment facilities and is the site of the CU Cancer Center. The State funded a portion of its cost and the Regents have a 33% undivided interest in the facility. Pursuant to a 50 year contract that commenced in 2000 (which automatically renews for an additional 50 years), the Regents have agreed to lease its interest in the Anschutz Cancer Pavilion to the Authority (for no rent) and the Authority has agreed to operate and maintain the facility for clinical, support and administrative activities agreed to by the Regents and the Authority. The contract also requires the consent of the Regents for any material modification to the facility or sublease of space.

- Leprino Building and Parking Structure – A ten story office building which houses administrative and clinical support services (such as administrative offices, clinical laboratories, medical staff sleeping rooms and clinical offices) for University Hospital and CU. The Leprino Building is connected via a sky bridge to the Anschutz Inpatient Pavilion. The parking garage is primarily used by the employees of the Authority, CU medical facilities and other Leprino Building tenants, with the balance available for use by the general public. The Authority leases one floor to CU under an annually renewable lease that is subject to annual appropriation by the Regents, and leases space on the ground floor of the parking garage to retail vendors.
- Rocky Mountain Lions Eye Institute – This five story facility is adjacent to the Anschutz Cancer Pavilion and is designed for the provision of specialty ophthalmology care, as well as advanced medical education for residents, graduate students and ophthalmologists.
- Center for Dependency, Addiction and Rehabilitation (“CeDAR”) – A 78-bed capacity residential evaluation and treatment facility for young adults and adults affected with chronic substance dependency and addiction. CeDAR also operates extended stay programs for men and women.
- Rocky Mountain Gamma Knife Center – In January 2012, University Hospital constructed the Rocky Mountain Gamma Knife Center (approximately 4,700 square feet) on the UCHHealth Anschutz Campus. The facility houses Rocky Mountain Gamma Knife LLC, in which the hospital owns a 37.7 percent interest.

The Authority also leases approximately 348,000 square feet of space from third parties to accommodate administrative needs and provide an array of patient services including family medicine, primary care, physical therapy, ophthalmology and specialty services.

Highlands Ranch Hospital. The System is constructing a new hospital facility in Highlands Ranch, Colorado. The hospital will be built to accommodate 150 adult beds (73 beds are expected to be in operation initially), an emergency department with 17 examination rooms and eight operating rooms. The project also includes construction of a Medical Office Building with an oncology program. The budget for the project is \$375 million and completion is scheduled for March 2019.

Broomfield Hospital. Broomfield Hospital is an 80,000 square foot facility located in Broomfield, Colorado. The hospital is owned and operated by UCHHealth Partners LLC (see “—Principal Affiliations and Joint Ventures—*UCHHealth Partners LLC*” below) and was opened in June 2016. The hospital is licensed for 22 inpatient beds and includes 18 rooms, three operating suites, a four bed intensive care unit, an outpatient surgery center, a laboratory and a 24 hour emergency department.

Inverness Sports Medicine and Ambulatory Surgery Center. The System is constructing an ambulatory surgery center with four operating rooms (with shelled space for an additional two operating rooms), two procedure rooms, 24 preparation and recovery rooms (with shelled space for an additional eight preparation and recovery rooms), 12 short stay beds and examination rooms. The project also includes construction of a medical office building for services including orthopedics, imaging, pharmacy, physical therapy and occupational therapy and examination rooms. The budget for the project is \$106.0 million and completion is scheduled for May 2019.

In October 2016, UCHHealth acquired the majority of the assets of the Steadman Hawkins Clinic in Denver. The clinic provides sports performance medicine and advanced orthopedic services. The clinic will relocate into the Inverness Sports Medicine and Ambulatory Surgery Center upon completion.

Cherry Creek Medical Center. The System is constructing a five story, 89,000 square foot medical office building and ambulatory surgery center in the Cherry Creek neighborhood of Denver. Services for the facility will include primary and advanced care, including cancer care, women's care, state-of-the-art imaging and an outpatient surgery center. The budget for the project is \$111.1 million and completion is scheduled for March 2020.

Freestanding Emergency Rooms. UCHealth Partners LLC owns and operates 13 freestanding emergency rooms and one urgent care center in the Denver metropolitan area. The ownership, assets and operations of 10 of the 13 freestanding emergency rooms were transferred to the Authority effective June 8, 2018.

Principal Agreements with the Regents. The Authority's principal agreements with the Regents include the Affiliation Agreement, the Operating Agreement and the Ground Lease described below.

Affiliation Agreement. The Amended and Restated Affiliation Agreement dated September 9, 2011, as amended (the "Affiliation Agreement"), between the Regents and the Authority describes the responsibilities for educational and training programs at University Hospital, rights and responsibilities concerning research activities at University Hospital, coordination of fund-raising activities, joint planning and other similar items. In the Affiliation Agreement, the Authority agrees to coordinate fund-raising activities with CU. In addition, the Authority agrees that all research grants and contracts which designate a member of the CU faculty as the principal investigator or co-investigator will be in the name of and administered by CU. The Affiliation Agreement permits the Regents to restrict the placement of education, research and clinical programs at University Hospital if the Authority violates certain provisions of the agreement.

Pursuant to the Affiliation Agreement, the Regents agreed that CU's health sciences programs and its full-time physician employees would not engage in or conduct any new patient care activities independent of the Authority, without the prior written approval of the Authority's Board of Directors (which approval may not be unreasonably withheld). However, CU is not obligated to consult with or obtain the approval of the Authority's Board of Directors in order for its full-time physician employees to engage in or conduct any patient care activities which had been proposed or were in existence as of October 1, 1991, including, without limitation, activities at Children's Hospital, Denver Health Medical Center or the Veterans Affairs Medical Center, or which result from or are initiated as a result of any future affiliation with Children's Hospital.

The Affiliation Agreement was amended by a First Amendment entered into between the Authority and the Regents effective October 1, 2012 (the "First Amendment") which provides (1) that a joint strategic planning committee be formed consisting of executives from UCHealth, the CU School of Medicine and CU Medicine for the purpose of ensuring that the parties collaborate and support each other and develop coordinated strategies; and (2) that neither the Authority nor UCHealth will employ any physician who will practice within the primary service area ("PSA") geographic area depicted on Exhibit A to the First Amendment without obtaining the prior written approval of the Dean of the CU School of Medicine (the PSA geographic area depicted on Exhibit A encompasses approximately the seven-county Denver Metropolitan Area).

The Affiliation Agreement was amended by a Second Amendment entered into between the Authority and the Regents effective July 1, 2016 (the "Second Amendment") which addresses the circumstances under which the Authority or UCHealth can employ physicians who will practice within the PSA geographic area. The Second Amendment provides that University Hospital on the Anschutz Medical Campus and the eight off-campus facilities listed under University Hospital's license are and will remain facilities which can be staffed only by physicians who are employed by the CU School of Medicine as

faculty (these facilities are referred to as “Closed Facilities”). The Second Amendment further provides that all other facilities providing healthcare services which are owned or operated by UCHHealth located within the PSA geographic area will be referred to as “Open Facilities” and will have open medical staffs with both faculty physician members and community physician members. The Authority and UCHHealth are prohibited from employing specialist physicians at the Open Facilities unless the CU School of Medicine has been given the necessary time to recruit and hire the particular specialty physician and is unable or elects not to provide the specialist.

The Second Amendment permits the Authority and UCHHealth to employ primary care physicians (defined as physicians trained in family practice, general internal medicine or pediatrics) within the PSA geographic area in accordance with the terms of the Primary Care Network Agreement entered into between the Authority, UCHHealth, UCHHealth Medical Group (see “—Principal Affiliations and Joint Ventures—*Affiliated Organizations*” below) and the Regents dated and effective July 1, 2016 (the “Primary Care Agreement”). The Primary Care Agreement provides that primary care physicians who work at University Hospital on the Anschutz Medical Campus and the eight off-campus facilities listed under University Hospital’s license will be employed by the CU School of Medicine as faculty as they historically have been and that primary care physicians who work at other facilities within the PSA can be employed by the CU School of Medicine or UCHHealth (or by the Authority or UCHHealth Medical Group) depending on the needs and interests of the physician or group.

Operating Agreement. The Regents and the Authority entered into an Operating Agreement in 1991 (the “Operating Agreement”) to govern the provision of certain services by each party to the other. The Operating Agreement requires the Authority to purchase from CU, among other services, environmental health and safety, library, mail, parking, certain personnel services, certain utilities (including cooling and steam heat), public relations, public affairs, and community services. Until otherwise provided by any third party mutually agreed to by the Regents and the Authority, such services may not be provided by any other party. Certain terms of the Operating Agreement, including amounts to be paid by the Authority for the purchased services, are renegotiated annually. The Authority incurred expenses for these services of approximately \$46.6 million, \$52.5 million and \$59.6 million during fiscal years 2015, 2016 and 2017, respectively.

Fitzsimons Ground Lease. The Authority leases the UCHHealth Anschutz Campus real property from the Regents pursuant to a Ground Lease originally entered into in 1999, as amended and restated. Almost all of the leased property was acquired by the Regents pursuant to quitclaim conveyance from the United States Department of Education (“DOE”). The DOE conveyed 227 acres and the buildings located thereon to the Regents pursuant to various “Quitclaim Deeds” which conveyed the property in an “as is” condition, without warranty. Each quitclaim transfer was made for nominal consideration, subject to certain conditions subsequent described under the heading “BONDHOLDERS’ RISKS—Reentry and Reversion Risks” in the body of this Official Statement. Violation of the conditions subsequent contained in the Quitclaim Deeds entitles the DOE, in certain circumstances, to reenter and take possession of the property; in that case title would revert back to the DOE.

The Fitzsimons Ground Lease has a stated term of 98 years, ending in 2102, with two 99 year optional renewal terms, to be exercised at the sole discretion of the Authority. Lease payments are \$1 each year through 2102 and \$100 each year during any renewal period. The Authority owns all buildings or improvements which it constructs on the property, unless otherwise agreed to by the parties. The Fitzsimons Ground Lease limits the use of the property for health care, research and educational facilities in support of the Authority’s statutory mission and related support facilities. In the event of the breach of any of the terms or covenants of the Fitzsimons Ground Lease, all right, title and interest in and to the property will revert to the Regents.

UCHealth has entered into a multi-year academic support agreement with the Regents. See “—Principal Affiliations and Joint Ventures—*University of Colorado*” below.

South Region Facilities and Operations

General. The System operates more than a dozen MHS facilities in the South Region, including two MHS hospitals on two campuses in the City, and two additional non-MHS acute care hospitals. The South Region hospitals provide a full range of acute care services.

The South Region hospitals currently operate a total of 693 adult and pediatric beds. The operational bed complement at the South Region hospitals as of March 31, 2018 was as follows:

<u>Clinical Service Area</u>	<u>Memorial Hospital Central</u>	<u>Memorial Hospital North</u>	<u>Grandview Hospital</u>	<u>March 31, 2018 Operational Beds ⁽¹⁾</u>
Medical/Surgical/ICU	382	71	22	475
Obstetric/Gynecology	75	13	--	88
Neonatal Intensive Care	60	4	--	64
Rehabilitation	66	--	--	66
Total	583	88	22	693

⁽¹⁾ Excludes 52 nursery bassinets. Excludes the 15 licensed (medical/surgical) beds for Pikes Peak Hospital, acquired by the System on April 1, 2018.

Facilities and Services.

MHS Facilities. Memorial Hospital Central is licensed for 583 beds. Memorial Hospital North is separately licensed for 88 beds. Memorial Hospital Central and Memorial Hospital North are general acute care facilities which provide comprehensive services. The hospitals provide specialty services in the areas of trauma, cardiology, cancer care and the interrelated areas of obstetrics, normal newborn care, “high-risk” newborn care and pediatrics. MHS facilities provide additional services including a disease management program, a clinical nutrition program, a community health services program, an after-hours clinic serving adult and pediatric patients and a training program in radiologic technology.

The System has leased and operated the MHS facilities since October 1, 2012, as described under “—*MHS Lease and Integration Agreement*” below. As described below, UCH-MHS (a nonprofit corporation formed by the Authority) is the lessee and operator of the MHS facilities.

Memorial Hospital Central’s 15.5 acre campus is located in Colorado Springs, approximately one mile northeast of the City’s central business district (the “Central Campus”). The majority of Memorial Hospital Central space is within three towers; one completed in 1977 with approximately 175,000 square feet, a second completed in 1998 with approximately 215,000 square feet, and the seven story East Tower completed in 2007 with approximately 358,000 square feet. MHS currently occupies the basement as well as the first four floors of the East Tower. The fifth floor is shelled space reserved for future growth. The sixth and seventh floors are comprised of leased space for physician practices. Other facilities on the Central Campus include a parking garage; the Cancer Center building; an approximately 38,500 square foot facility used for outpatient oncology services, an employee pharmacy, and medical and administrative offices; the former El Paso County Health building which was renovated to provide pre-surgical services; a gastroenterology lab; and a central power plant. The Memorial Administrative Center is an approximately 130,000 square foot administrative building one mile from the Central Campus where approximately 500 employees are located.

Memorial Hospital North is located on 82 acres of land approximately 11 miles north of the Central Campus (the “North Campus”). Memorial Hospital North, an approximately 215,000 square foot, four story building with 88 licensed beds was completed in 2007. A large facility expansion at Memorial Hospital North is underway with expected completion in April 2019. The expansion includes adding 150,000 square feet and will include 83 acute beds, an expansion of womens’ services, expanded oncology space, emergency room and eight operating rooms. The North Campus also includes a medical office building adjacent to Memorial Hospital North which was built by a private developer and opened in January 2008. The System leases 29,642 square feet in the medical office building for outpatient services. UCH-MHS entered into a joint venture (20% owner) with The Orthopedic and Spine Center of Southern Colorado, LLC on November 21, 2013, which joint venture leases approximately 32,100 square feet in the medical office building. The Memorial Hospital North campus will be the site of the new Children’s Hospital pediatric hospital.

The Printers Park Medical Plaza (“PPMP”) is a 262,000 square foot medical office building located on 17 acres of land approximately one mile from the Central Campus. The System utilizes (under lease) approximately 59% of PPMP to provide hospital services and an outpatient surgery center; and the remaining 41% is occupied by other parties and physicians. The Briargate Medical Campus is a 15.6 acre parcel of land on the north side of the City about one mile from the North Campus, on which an approximately 62,400 square foot building was constructed by MHS. The building and 4.7 acres of the land were sold by MHS in 2007. The System now leases approximately 37% of the building and continues to provide services at the Briargate Medical Campus.

In 2012, Children’s Hospital entered into a 40-year agreement with UCHealth to sublease and operate the pediatric service line for Memorial Health System, initially at Memorial Hospital Central. In the spring of 2015, as a result of the review of Conditions of Participation by the Centers for Medicare and Medicaid (“CMS”) at Memorial Hospital Central, Children’s Hospital decided to cease operations at Memorial Hospital Central. CMS would have required significant structural changes to Memorial Hospital Central to meet CMS’s Conditions of Participation. Therefore, Children’s Hospital relinquished its license, vacated the space at Memorial Hospital Central and entered into an Employee Lease Agreement with UCH-MHS effective June 4, 2015 and a Management Services Agreement with UCH-MHS effective June 4, 2015 (the “MSA”) to continue to provide staffing and oversight of pediatric services at Memorial Hospital Central. The MSA is effective until June 30, 2019. The payment of the note payable to UCHealth in connection with the original sublease was suspended during the term of the MSA. Children’s Hospital and UCH-MHS have recently entered into a Ground Sublease pursuant to which Children’s Hospital will sublease approximately 2.4 acres of land from UCH-MHS to construct and operate a new pediatric hospital immediately adjacent to Memorial Hospital North. The Children’s Hospital facility is under construction with anticipated completion in April 2019. The new facility will open with 94 beds, five operating rooms and an emergency department. Children’s Hospital will purchase shared services from Memorial Hospital North including clinical laboratory services, dietary services and utilities. The Ground Sublease provides that Children’s Hospital will resume paying monthly asset purchase payments of approximately \$70,000 each to UCH-MHS when a certificate of occupancy is issued for the new pediatric hospital.

Grandview Hospital. Grandview Hospital is a 60,000 square foot facility located in Colorado Springs, Colorado. The facility is owned and operated by UCHealth Partners LLC (see “—Principal Affiliations and Joint Ventures”) and was opened in October 2016. The hospital is licensed for 22 inpatient beds and includes an emergency room, an intensive care unit, operating rooms and a full radiology suite.

Pikes Peak Regional Hospital. UCHealth acquired Pikes Peak Regional Hospital, located in Woodland Park, Colorado, in April 2018. Pikes Peak Regional Hospital is a critical access hospital licensed for 15 beds.

Freestanding Emergency Rooms. UCHealth Partners owns and operates four freestanding emergency rooms in the Colorado Springs metropolitan area. The ownership, assets and operations of the four freestanding emergency rooms were transferred to UCH-MHS effective June 1, 2018.

MHS Lease and Integration Agreement. The System leases and operates the MHS facilities pursuant to the Health System Operating Lease Agreement, dated as of July 2, 2012 (the “MHS Lease”), among the City, UCH-MHS and Poudre Valley and the Integration and Affiliation Agreement, dated as of July 2, 2012 (the “Integration Agreement”), among the City, UCHealth, UCH-MHS and Poudre Valley. The effective date of the MHS Lease and the Integration Agreement was October 1, 2012, when the System commenced operations at MHS (the “Effective Date”). The Lessee under the MHS Lease is UCH-MHS. See Appendix E “SUMMARY OF THE MHS LEASE.”

The term of the MHS Lease is initially 40 years. Commencing on or about the ninth anniversary of the Effective Date, the parties are to negotiate in good faith whether to extend the then existing Term by an additional year, such that upon mutual agreement of the parties an additional one year term will be added automatically to the original Term on each anniversary of the Effective Date, commencing on the tenth anniversary of the Effective Date (the “Extension Term”). The City may elect to terminate the Extension Term in its sole discretion, and in such event, the Extension Term will terminate on the 31st anniversary of the commencement of the next annual term of the Lease following the City’s notice of its election to terminate the Extension Term. The MHS Lease is subject to earlier termination as described in Appendix E. During the first 30 years of the term the Lessee will pay to the City a fixed monthly payment of \$467,676. During the remaining 10 years of the initial term, the Lessee is not required to make any monthly rental payments, but is required to continue to make the capital improvements described below in such years. If the term is extended beyond 40 years, the Lessee will pay annual rent reflecting fair market ground lease rent determined by an independent expert.

During the MHS Lease term, if in any fiscal year the Operating EBITDA margin (as defined in Appendix E) of MHS exceeds a baseline annual margin of 8%, the Lessee must make a payment to the City equal to 5% of the incremental Operating EBITDA over such 8% base margin. During the initial MHS Lease term of 40 years, the Lessee is also required to spend an annual average of \$28 million for capital improvements at MHS.

The Authority has guaranteed the payment obligations of the Lessee under the MHS Lease pursuant to a Guaranty and Indemnification Agreement dated September 30, 2012, between the Authority, as guarantor, and the City, as beneficiary.

The Integration Agreement imposes certain requirements with respect to the governance of UCH-MHS. The Board of Directors of UCH-MHS (the “MHS Board”) must be comprised of at least eleven directors, at least seven of whom are individuals who reside in (and, for the one year period immediately prior to the date of his or her nomination, have continuously resided in) El Paso County, Colorado and who have been nominated by the Joint Nominating Committee described below (the “El Paso Appointees”), and at least four of whom have been appointed to the MHS Board by the Authority (the “UCHealth Appointees”). The Joint Nominating Committee will be comprised of three individuals chosen by the City and three individuals chosen by the Authority and such individuals will serve at the pleasure of the entity responsible for appointing them. The Joint Nominating Committee will propose, by a majority vote of the entire Joint Nominating Committee, El Paso Appointees to the Authority. The Authority will appoint the El Paso Appointee candidates, on an individual basis, to the MHS Board at the pleasure of the Authority. The initial El Paso Appointees and UCHealth Appointees had terms ending either October 1, 2015 or October 1, 2016, and each director of the MHS Board now holds office for a two year term. Directors may be removed by majority vote of the MHS Board, but only for malfeasance in office, failure to regularly attend meetings, or for other good cause, subject to the final approval of the Authority.

The UCHealth Board of Directors has the overall responsibility and authority for the operation of the System, including UCH-MHS (see “SYSTEM GOVERNANCE AND MANAGEMENT” below). The MHS Board will have the authority and powers reserved to it under its articles of incorporation and bylaws, but otherwise will be subject to the authority of the UCHealth Board.

In addition to the governance matters discussed above, the System has covenanted in the Integration Agreement, subject to the conditions set forth therein and among other things, to: maintain the MHS name, maintain an academic affiliation; maintain participation by MHS in certain government programs (including the Medicare and Medicaid programs); support community outreach programs; provide an annual report to El Paso County, Colorado containing specified financial and operating information with respect to MHS; obtain and maintain necessary licenses, permits, certificates and other authorizations, including provider agreements with certain government programs; comply with applicable laws; solicit grants and donations; participate in clinical trials, research studies and research and development efforts; provide charity care; and maintain certain clinical services at MHS. The City and the System have also made certain agreements regarding non-competition, non-solicitation for employment and competing business ventures.

The Integration Agreement will expire on the date of the expiration of the term or the earlier termination of the MHS Lease and is not subject to renewal, other than as mutually agreed to by the parties in writing. The remedies provided in the Integration Agreement for breach thereof are specific performance and the parties’ rights to terminate the MHS Lease; provided, the parties may seek such remedies only under the circumstances set forth in the MHS Lease regarding termination (see Appendix E “SUMMARY OF THE MHS LEASE”) or for a material breach or nonperformance of the Integration Agreement, subject to satisfaction of the dispute resolution process in the MHS Lease or the accelerated arbitration process described below, as applicable (except that equitable relief may be sought in certain limited circumstances to prevent imminent material harm to a party). In the event of a dispute regarding certain matters set forth in the Integration Agreement, the parties have agreed to submit the issue to an accelerated arbitration process under the authority of a mutually agreed to organization that commits to complete such process within 60 days of such submission and the enforcement of the parties’ obligations will be subject to such accelerated and final arbitral determination.

System Utilization

The following table shows recent trends in the inpatient and outpatient service utilization for the System’s hospitals in operation for the time periods displayed (excluding utilization for UCHealth Partners LLC facilities).

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System Historical Utilization

	Fiscal Year Ended June 30,		Nine Months Ended March 31,	
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
Average Beds In Operation ⁽¹⁾	1,529	1,620	1,637	1,767
Admissions ⁽²⁾	80,643	83,660	62,893	66,080
Deliveries	11,512	11,978	9,000	9,343
Patient Days ⁽²⁾	358,072	375,190	282,431	304,422
Average Length of Stay in Days ⁽²⁾	4.44	4.48	4.49	4.61
Average Occupancy ⁽²⁾	64.2%	63.5%	66.9%	67.0%
Outpatient Visits ⁽³⁾	2,560,235	2,920,944	2,153,523	2,519,133
Emergency Department Visits ⁽⁴⁾	357,448	360,097	330,039	366,466
Inpatient Surgeries	25,566	26,592	19,993	21,300
Outpatient Surgeries	40,550	45,677	34,247	38,251
Medical/ Surgical Case Mix Index ⁽²⁾	1.7542	1.8158	1.7396	1.8341
Medicare Case Mix Index	1.9469	2.0217	1.9348	2.0259

(1) Excludes normal newborn bassinets and residential activity (CeDAR beds and Mountain Crest beds).

(2) Excludes normal newborns and residential activity (CeDAR and Mountain Crest).

(3) Includes outpatient visits and urgent care visits; excludes emergency department visits, ambulatory surgery, ancillary visits and observation.

(4) Includes outpatient emergency department visits and emergency department admissions.

Inpatient surgeries at University Hospital include organ transplants as shown in the following table.

Transplant Surgeries

	Fiscal Year Ended June 30,			Nine Months Ended, March 31,	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
Heart	34	30	29	25	24
Lung	36	24	21	16	28
Liver	72	72	94	70	66
Kidney	139	118	167	116	174
Kidney/Pancreas	7	5	6	1	7
Kidney/Liver	3	2	3	3	4
Pancreas	1	0	1	1	0
Bone Marrow	<u>98</u>	<u>127</u>	<u>118</u>	<u>90</u>	<u>76</u>
Total	<u>390</u>	<u>378</u>	<u>439</u>	<u>322</u>	<u>379</u>

Awards and Recognitions

The System has been recognized for quality care and personnel by industry, peers and the public.

U.S. News & World Report has named University Hospital to its Best Hospitals Honor Roll, a list of the top 20 facilities among almost 5,000 hospitals across the nation. System hospitals rank among the top 10 percent of facilities nationwide according to Vizient, Inc. (previously called University HealthSystem Consortium). The American Nurses Credentialing Center has awarded PVH, MCR and University Hospital with multiple Magnet designations, representing the highest quality nursing.

Principal Affiliations and Joint Ventures

The University of Colorado, Children's Hospital, CU Medicine, UCHealth Partners LLC, Lakota Lake LLC, University of Colorado Hospital Foundation, Poudre Valley Hospital Foundation, Inc., Yampa Valley Medical Center Foundation, Inc., UCHealth Plan Administrators, LLC, described below, are not Members of the Obligated Group or UCHealth Members and are not liable with respect to the Series 2018 Bonds.

University of Colorado. The System has close ties to the University of Colorado. See “UCHEALTH AND THE OBLIGATED GROUP—History.” CU provides undergraduate, graduate and continuing education, research and patient care and service in health disciplines at the Anschutz Medical Campus. As set forth in the Affiliation Agreement with the Authority, CU utilizes University Hospital as the primary site of practice and training in accomplishing its mission. The principal agreements between the Regents and the Authority are summarized under the caption “—Central (Metropolitan Denver) Region Facilities and Operations—*Principal Agreements with the Regents*” above.

UCHealth entered into a five year academic support agreement with CU that took effect beginning with the 2015 fiscal year. Pursuant to the agreement, in each of the five fiscal years, UCHealth agrees to make an academic support donation (the “Donation”) to the CU School of Medicine in an amount equal to three percent of UCHealth’s Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) for such fiscal year. UCHealth is obligated to make an additional Donation for each fiscal year if the actual EBITDA earned by UCHealth in such fiscal year exceeds the amount of EBITDA budgeted by the UCHealth Board prior to the beginning of the fiscal year, such additional Donation to be in an amount equal to ten percent of the EBITDA earned above the budgeted amount in such fiscal year. UCHealth made Donations to the CU School of Medicine of approximately \$25.7 million and \$25.1 million during fiscal years 2016 and 2017, respectively.

The System agreed with the City in the Integration Agreement that the System will provide \$3 million annually for a period of 40 years (or for the term of the MHS Lease and the Integration Agreement, if shorter), commencing October 1, 2012, to establish and fund a branch of the CU School of Medicine in the City, subject to the conditions set forth in the Integration Agreement. Pursuant to the terms of a Financial Support Agreement entered into between UCHealth and the Regents on or about the Effective Date, the CU School of Medicine is responsible for establishing the branch of the CU School of Medicine in the City, obtaining accreditation for the branch and funding the balance of the cost of establishing and operating the branch in excess of the System’s contribution.

Children’s Hospital. Pediatric services, other than neonatal and well-baby care, at the Anschutz Medical Campus are provided by Children’s Hospital at its facilities on the campus. University Hospital and Children’s Hospital also collaborate on perinatal care to provide the full spectrum of pregnancy and childbirth care at the Anschutz Medical Campus from preconception to post-delivery. The Authority and Children’s Hospital have jointly established a center for advanced maternal fetal medicine offering care for high-risk pregnant women and their babies. The center focuses on babies needing highly-specialized surgical care within 72 hours of birth, and both mother and baby are cared for at Children’s Hospital, including outpatient care and delivery. University Hospital continues treating other serious neonatal conditions and high-risk mothers in addition to offering its routine labor and delivery services. Children’s Hospital has been named to *U.S. News & World Report’s* Honor Roll of America’s Best Children’s Hospitals eight of the last nine years since the Honor Roll was established in 2009. Children’s Hospital also manages the pediatric service line for the Memorial Health System. See “—South Region Facilities and Operations—*Facilities and Services*” above.

As described under the caption “—Central (Metropolitan Denver) Region Facilities and Operations—*Facilities and Services—University Hospital*” above, the Regents lease 41 acres of the Anschutz Medical Campus to Children’s Hospital. The lease provides that Children’s Hospital will not engage in any new adult research or clinical health care, so long as (i) the Authority does not engage in new inpatient pediatric clinical research independent of Children’s Hospital, (ii) CU continues to use Children’s Hospital facilities as the principal hospital site for pediatric programs and the only site for tertiary pediatric programs, and (iii) CU and its full-time physician employees do not engage in new pediatric inpatient clinical health care independent of Children’s Hospital. The Authority operates a family medicine program independent of Children’s Hospital which provides inpatient care at University Hospital to patients of all ages, including primary and some secondary pediatric care. The Authority agreed in the Fitzsimons Ground Lease that it will not engage in new inpatient pediatric clinical health care independent of Children’s Hospital unless agreed to by the Regents, and the Regents agreed not to unreasonably withhold consent for the Authority to engage in such new pediatric programs if Children’s Hospital engages in new adult research or clinical care without the Regents’ approval.

CU Medicine. The Authority obtains certain services from the physicians who comprise the full-time faculty at the Anschutz Medical Campus through three-party agreements among the Authority, CU and CU Medicine, the CU School of Medicine’s faculty practice plan. CU Medicine is a nonprofit corporation which provides billing, administrative and management services to physicians who comprise the full-time faculty at the Anschutz Medical Campus (other than those full-time faculty members who comprise the medical staff at the Denver Health Medical Center or the Veterans Affairs Medical Center). Revenues are collected by CU Medicine on behalf of CU and are used by CU to pay physician salaries and for faculty research and education activities of the CU School of Medicine faculty. The Authority pays CU Medicine, on behalf of the CU School of Medicine faculty members who provide services for the administration of various University Hospital programs, for clinical laboratory services provided to University Hospital and for other contracted services. These agreements are renegotiated and, in almost all cases, renewed annually. The Authority paid CU Medicine approximately \$76.6 million, \$84.2 million and \$114.7 million, respectively, during fiscal years 2015, 2016 and 2017. Those amounts include physician fees collected by the Authority on behalf of CU Medicine under specific arrangements with certain payors.

The Authority, working with the CU School of Medicine and CU Medicine, has developed a primary care network of physicians to support managed care contracts and provide the referral base for University Hospital services, as well as the clinical specialties of the CU School of Medicine faculty. The CU School of Medicine has recruited physicians who have volunteered to teach in the CU School of Medicine’s various programs and who have been awarded clinical volunteer faculty status to participate in the clinical network. In addition, the Authority operates and CU Medicine physicians staff a number of clinics in the Denver area. See “—Central (Denver Metropolitan) Region Facilities and Operations—*Facilities and Services*” above. The Authority and CU School of Medicine jointly recruit primary care physicians in the Central Region by which primary care physicians are offered employment as faculty members of the CU School of Medicine or employment by the Authority through UCHHealth Medical Group.

Affiliated Organizations. The following organizations are affiliated with UCHHealth and the UCHHealth Members:

Medical Center of the Rockies. Medical Center of the Rockies is a Colorado nonprofit membership corporation, formed by its two members, Poudre Valley and Regional West for the purpose of owning MCR. Medical Center of the Rockies has received tax-exempt 501(c)(3) status from the Internal Revenue Service. Poudre Valley’s percentage interest in Medical Center of the Rockies is 88% and Regional West’s percentage interest in Medical Center of the Rockies is 12%. Under Medical Center of the Rockies’ bylaws, each member’s membership interest includes: Medical Center of the Rockies’ profits and losses; the member’s right to distribution of Medical Center of the Rockies’ income or assets; the right to participate

in the affairs of Medical Center of the Rockies including the right to vote on, consent to, or otherwise participate in any decision on or action of the members; and such other rights conferred on members by the bylaws or Colorado law. Medical Center of the Rockies is a Member of the Obligated Group.

UCHealth Medical Group. Poudre Valley Medical Group, LLC, a Colorado limited liability company doing business as UCHealth Medical Group, is a physician group owned by the PVH System and the System. UCMHG was created to acquire and integrate physician practices across the System and it currently operates in all three UCHealth regions. At March 2018, 800 physicians and advance care professionals were associated with UCHealth Medical Group representing 233 clinics within 69 specialty areas. See “—Medical Staff” below. UCHealth Medical Group is a Member of the Obligated Group.

UCHealth Partners LLC. In April 2015, UCHealth entered into a joint venture (“UCHealth Partners LLC”) with Adeptus Health, a for-profit independent provider of freestanding emergency rooms. UCHealth was the majority owner of the joint venture, which owned and operated two acute care hospitals and 18 freestanding emergency rooms in the System’s service area. One of the freestanding emergency room was converted to an urgent care center by UCHealth Partners LLC in January 2017. In December 2017, UCHealth purchased Adeptus’ interest in UCHealth Partners LLC and became the 100% owner of the venture. UCHA has assumed the ownership, assets and operations of 10 of the 13 freestanding emergency rooms in the Central Region and UCH-MHS has assumed the assets and operations of the four freestanding emergency rooms in the South Region. UCHealth Partners LLC is not a Member of the Obligated Group.

Lakota Lake LLC. Lakota Lake LLC is a wholly owned limited liability company formed for the purpose of partnering with other for-profit providers of health care services. Since its inception, Lakota Lake LLC has developed seven joint ventures and maintains an ownership interest in excess of 20% in each venture. The health care services operated by the joint ventures include outpatient orthopedic surgery, home care, home infusion therapy, an eye laser center, home medical supply service, and a skilled nursing and rehabilitation facility. Lakota Lake LLC is not a Member of the Obligated Group.

University of Colorado Hospital Foundation. The Authority’s Board of Directors created the University of Colorado Hospital Foundation (the “UCH Foundation”) in 2006 as an independent nonprofit corporation to be managed by a board of directors appointed by the Authority’s Board of Directors. The UCH Foundation’s purpose is to support and assist the Authority in carrying out its charitable, scientific or educational purposes. The UCH Foundation has received tax-exempt 501(c)(3) status from the Internal Revenue Service. The UCH Foundation is not a Member of the Obligated Group.

Poudre Valley Hospital Foundation, Inc. Poudre Valley Hospital Foundation, Inc. (the “PVH Foundation”) is a nonprofit corporation that was formed by the PVH System to receive, invest and distribute funds primarily for the benefit of Poudre Valley, Medical Center of the Rockies and affiliated organizations. The PVH Foundation has received tax-exempt 501(c)(3) status from the Internal Revenue Service. The PVH Foundation is not a Member of the Obligated Group.

Yampa Valley Medical Center Foundation, Inc. Yampa Valley Medical Foundation, Inc. (the “YVMC Foundation”) is a nonprofit corporation that was formed by YVMC to receive, invest and distribute funds primarily for the benefit of YVMC and community organizations. The YVMC Foundation has received tax-exempt 501(c)(3) status from the Internal Revenue Service. The YVMC Foundation is not a Member of the Obligated Group.

UCHealth Plan Administrators, LLC. UCHealth is the sole member of UCHealth Plan Administrators, LLC, a third-party administrator providing integrated, self-funded benefit plans to the

employer group market. See “SYSTEM SOURCES OF REVENUE—Managed Care” below. UCHHealth Plan Administrators, LLC is not a Member of the Obligated Group.

Joint Ventures. The UCHHealth Members and their affiliates are parties to a number of joint ventures that, individually and in the aggregate, do not have a material impact on the net income or combined total assets of the System.

Medical Staff

Pursuant to the Joint Operating Agreement, the board of directors of each UCHHealth Member retains the right to oversee medical staff bylaws, rules, regulations and credentialing for such entity.

Under the terms of the Act, membership on the University Hospital medical staff is limited to health care providers who are CU faculty members. Accordingly, all physicians, dentists and other health care providers who comprise the University Hospital medical staff hold faculty appointments at the clinical departments of CU’s health sciences programs. The Authority and CU coordinate with respect to appointments of faculty members who will also be on the Authority’s medical staff. The Authority verifies credentials for all medical staff members. Not all CU physician faculty members are members of the Authority’s medical staff, as CU faculty members serve on the medical staff of Children’s Hospital, Denver Health Medical Center and the Veterans Affairs Medical Center.

Across all ten System hospitals and 80 locations, the medical staff is comprised of 3,100 health care providers, including CU School of Medicine faculty, employed providers and community providers. The University Hospital medical staff consists of Full-time Staff Members and Clinical Members. Full-time Staff Members have full-time appointments on CU’s health sciences faculty as discussed above. Clinical Members consist of community-based part-time health sciences faculty members who have been granted permission to render specific clinical patient services at University Hospital. All of the employed physicians at the North Region and South Region facilities and some of the employed physicians at the Central Region facilities are affiliated with UCHHealth Medical Group. See “—Principal Affiliations and Joint Ventures—*Affiliated Organizations*” above.

Employees

The Authority is the sole employer of System employees, including employees at all System facilities and for UCHHealth Medical Group. At June 30, 2017, System employees numbered 18,433 full and part-time employees, equaling 14,717 full-time equivalent employees. At June 30, 2016, System employees numbered 13,718 full-time equivalent employees. The System currently has no unionized employees. Management believes that its employee relations are good.

Effective July 1, 2010, the Authority, CU and CU Medicine formed the University of Colorado Health and Welfare Plan and Trust (the “Trust”) for the purpose of providing health benefits to their employees and dependents through a self-insured plan due to the significant health insurance premium increases the entities had experienced through commercial insurance. See note 16(e) in the Basic Financial Statements in Appendix B. The plan is managed by a third-party administrator. The Trust covers all System employees.

In addition, the System offers a full range of benefits to its employees, which management believes compare favorably with other employers and health care organizations in the area. Among these benefits are several options for health plans, a dental plan, life and accident insurance and short-term and long term disability insurance and health and dependent care spending accounts.

The System has pursued in recent years a number of initiatives to employ and retain registered nurses (approximately 4,773 full-time equivalent registered nurses were employed at June 30, 2017). Although management of the System believes the System's turnover rate for registered nurses is good, registered nurse staffing is a continuing challenge as it is for most hospitals in the United States. The System believes its relationship with the University of Colorado Nursing School together with its competitive salaries and benefits (including continuing education), the positive work environment at its facilities, a nurse residency program at University Hospital and Magnet Nursing Services designation at several System facilities will insure the System can maintain an adequate complement of registered nurses. The System has implemented a System-wide traveling nurse program in order to staff System facilities in the most efficient manner with System nurses.

SYSTEM GOVERNANCE AND MANAGEMENT

The Joint Operating Agreement

UCHealth is a Colorado nonprofit membership corporation, formed by its two members, the Authority and Poudre Valley (the "UCHealth Members"), and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The basic economic premise of UCHealth is that the Authority and Poudre Valley will operate together as a single economic entity, jointly determining optimal capital allocation, pooling revenues, expenses and net operating performance, and generating one "bottom line." UCHealth, the Authority and Poudre Valley have no plans to merge into a single entity and expect to maintain their existence as separate legal entities. The UCHealth Board of Directors has the right to approve the capital and operating budgets of UCHealth, the Authority and Poudre Valley. UCHealth decisions are required to be made to benefit the System as a whole and to respond to needs in all of the communities it serves.

Pursuant to the Joint Operating Agreement the UCHealth Members retain their separate corporate existence and boards of directors and continue to be the licensed operators of their respective facilities. The medical staff of each UCHealth Member remain separate and continue to be governed by their respective medical staff bylaws. Each UCHealth Member continues to own its Legacy Assets, as defined in Appendix D, subject to transfer by UCHealth under certain conditions. UCHealth governs the use of the Legacy Assets and the System assets, subject to the terms of the Joint Operating Agreement.

UCH-MHS is a Colorado nonprofit corporation formed by the Authority for the purpose of serving as lessee under the MHS Lease and fulfilling the System's obligations with respect to governance of MHS. UCH-MHS maintains its own board of directors. See "SYSTEM OPERATING INFORMATION—South Region Facilities and Operations—*MHS Lease and Integration Agreement*." UCH-MHS is not a UCHealth Member independent of the Authority.

The Joint Operating Agreement has a term of 50 years from the Effective Date of July 1, 2012, subject to extension by agreement of the parties. A UCHealth Member may withdraw from UCHealth under certain circumstances. The Joint Operating Agreement may also be terminated prior to the expiration of the term. The Joint Operating Agreement contains provisions governing the distribution of assets upon such withdrawal or termination. See Appendix D "SUMMARY OF THE JOINT OPERATING AGREEMENT."

Board of Directors

The Board of Directors of UCHealth (the "UCHealth Board") is generally responsible for overseeing the business and affairs of UCHealth and the UCHealth Members, subject to the reserved powers of each UCHealth Member. See Appendix D "SUMMARY OF THE JOINT OPERATING

AGREEMENT.” The UCHealth Board during the Initial Period ended July 1, 2015, was comprised of 11 Directors (the “Initial Directors”) chosen as follows: four Directors designated by Poudre Valley; four Directors designated by the Authority; two Directors designated by the President of CU chosen from the Dean of the CU School of Medicine, CU’s highest ranking executive of the Anschutz Medical Campus, or the President of CU (the “University of Colorado Direct Appointees”); and the CEO/President of UCHealth. Each Initial Director serves on the UCHealth Board until his or her respective successor is duly elected and qualified in accordance with the bylaws and the Joint Operating Agreement.

Two Directors will at all times be University of Colorado Direct Appointees, the UCHealth President and CEO will at all times be a Director, serving *ex officio* in a voting capacity, and the remaining eight Directors will be selected as described below, for staggered terms, the greatest of which will extend for four years, with annual selection being divided equally between “Appointed Directors” and “Elected Directors.” The “Appointed Directors” will be appointed by the CU Board of Regents after having been recommended by the President of CU, after consultation with the UCHealth Board and affirmative vote of at least three-quarters of the total Directors then in office. The “Elected Directors” will be elected by three-quarters vote of the total Directors then in office. The Chair will be elected by vote of at least two-thirds of the Directors then in office. The term of each Appointed Director and Elected Director will be for four years. Directors may be elected or appointed for successive terms; provided, that no Director may serve for more than twelve consecutive years without retiring from the UCHealth Board for at least two years.

The names and occupations of the current members of the UCHealth Board are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Current Term Ends June 30</u>
Richard L. Monfort, Chair	Owner, Chairman and CEO, Colorado Rockies Baseball Club; Chairman, Board of Trustees, University of Northern Colorado	2020
D. Christian Osborn, Vice Chair	President and CEO, Coach Training Alliance	2020
Raymond T. Baker	Partner, Gold Crown Management Company	2019
Elizabeth Concordia ⁽¹⁾	President and CEO, UCHealth	<i>Ex officio</i>
John Reilly Jr., M.D. ⁽²⁾	Vice Chancellor for Health Affairs Dean, University of Colorado School of Medicine	2019
Donald M. Elliman Jr. ⁽²⁾	Chancellor for the University of Colorado Anschutz Medical Campus	2019
Laurie Steele	Senior Vice President, Burns Marketing Communications	2022
Timothy Travis	President and CEO, Eaton Metal Products Company	2017
Todd Whitsitt, M.D.	Practicing Cardiologist, UCHealth Medical Group	2019
Victor (Gene) Renuart	President, Renuart Group, LLC (Retired United States Air Force Four-General, Commander of NORAD and U.S. Northern Command)	2021

⁽¹⁾ *Ex officio* Director with voting rights.

⁽²⁾ University of Colorado Direct Appointee

The bylaws create various committees of the UCHealth Board charged with responsibility of general supervision over specific areas of concern. Any UCHealth Member or CU may require the removal of a Director appointed by that UCHealth Member or CU, respectively, but only for malfeasance in office, failure regularly to attend meetings, or for any cause which renders the Director incapable of or unfit to discharge the duties of a Director.

The UCHealth Board has adopted a Conflicts of Interest Policy. The policy seeks to avoid the participation of any Director in the Board's consideration of a matter which poses a material conflict of interest for that Director. Directors have a duty to disclose any actual or possible conflicts of interest and after such disclosure and opportunity for discussion, the interested Director must leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. If a conflict is found to exist, the remainder of the Board will discuss and vote on the process and decision with respect to the transaction or arrangement involving the conflict of interest.

Management

Pursuant to the Joint Operating Agreement, the management team of UCHealth directs and oversees all facilities and programs of Poudre Valley and the Authority consistent with overall System objectives and the other terms set forth in the Joint Operating Agreement. Key management personnel of UCHealth include the following:

Elizabeth B. Concordia, President and Chief Executive Officer. Ms. Concordia serves as the President and Chief Executive Officer of UCHealth, appointed effective September 2, 2014. Prior to joining UCHealth, Ms. Concordia served as Executive Vice President and President of the Hospital and Community Services Division at University of Pittsburgh Medical Center ("UPMC"). Ms. Concordia was responsible for leading UPMC's patient care enterprise, which included a comprehensive array of clinical capabilities consisting of hospitals, specialty service lines and pre- and post-acute services such as senior living, rehabilitation and home care. Ms. Concordia's extensive career has included leadership roles at several other health care organizations. Ms. Concordia earned a Bachelor of Arts degree in Economics and German from Duke University and a Masters in Administrative Science Management from Johns Hopkins University.

Dan Rieber, Chief Financial Officer. Mr. Rieber serves as Chief Financial Officer of UCHealth, and was appointed Chief Financial Officer in February 2018. Mr. Rieber joined UCHealth in 2007 as Director of Finance and Controller at University Hospital. He took on the role of Chief Financial Officer of Memorial Health System for UCHealth in 2014, overseeing finances for Memorial Hospital Central, Memorial Hospital North and outpatient clinic locations in Colorado Springs. Mr. Rieber also managed the finances for several of UCHealth's community hospitals and expansion projects.

Gary Reiff, Chief Legal Officer. Mr. Reiff joined UCHealth in June 2018 as Chief Legal Officer. Mr. Reiff is an attorney and executive leader with more than three decades of legal experience in Colorado. He acted as chief legal officer, chief administrative officer and a managing director for Black Creek Group, a Denver-based international real estate investment firm. He also served as chief compliance officer for two companies related to Black Creek. Mr. Reiff is active in the Colorado civic community and currently serves on the boards of Denver Water and the Downtown Denver Partnership. He holds a Bachelor of Arts degree with honors in Economics from Stanford University, a Master of Arts degree from the Food Research Institute (economics of development) from Stanford University and he graduated magna cum laude from Harvard Law School.

William Neff, M.D., Chief Medical Officer. Dr. Neff serves as the Chief Medical Officer of UCHealth. Dr. Neff also serves as the Chief Medical Officer of the PVH System. Dr. Neff began his

clinical practice of anesthesiology in 1990 and was a founding partner of Northern Colorado Anesthesia Consultants. He became vice chair of the department of anesthesiology of PVH in 1992 and since then he has served as a member, vice chair and chair of several committees including chief of medical staff and chair of the medical executive committee. Dr. Neff graduated cum laude with a degree in biochemistry from Rice University. He received his medical degree from the University of Texas Medical Branch in Galveston, Texas. He served his residency there and in 1987 he did his fellowship in cardiovascular anesthesia and surgical intensive care at the Texas Heart Institute in Houston.

Steve Hess, Chief Information Officer. Mr. Hess was named the Chief Information Officer of UCHealth in 2012 and held a similar role at the Authority prior to the formation of UCHealth. Prior to joining the Authority, Mr. Hess was the Chief Information Officer at Christiana Care Health System in Delaware for 5 years.

Kathy Howell, MBA, BSN, Chief Nursing Officer. Ms. Howell joined UCHealth in January 2018 and is responsible for continued clinical integration and advancement of nursing practice across the System. Prior to joining UCHealth, Ms. Howell was the Senior Vice President and Chief Nurse Executive for Saint Luke's Health System in Kansas City, Missouri and also served as Chief Executive Officer of Saint Luke's South Hospital in Overland Park, Kansas. Ms. Howell received her Bachelors of Science in Nursing from Marymount College in Salina, Kansas, and her Master's in Business Administration from Northern Illinois University in DeKalb, Illinois. She is board certified as an Advanced Nurse Executive through the ANCC.

SYSTEM SERVICE AREA AND COMPETITION

System Service Area

System management has identified primary service areas for each of the System's operating regions. Combined, the primary service areas of the North Region, the Central Region and the South Region stretch along the Front Range from the Colorado/Wyoming border at the north to south of Colorado Springs at the south, including the Denver and Colorado Springs metropolitan areas. The System also provides care to patients in the remainder of the State of Colorado and patients beyond the boundaries of the State of Colorado, including particularly in southeastern Wyoming and southwestern Nebraska.

For the 2017 calendar year, the percent of the System's discharges from the System's combined primary service areas was 82%; 10% was from the remainder of Colorado; and 8% was from outside of Colorado.

The primary service area of the North Region of the System consists of zip codes within Larimer County and Weld County. This area has a population estimated¹ at 554,619 in 2017 compared to 479,469 in 2010 (a 15.7% increase).

A portion of the System's North Region facilities and operations (primarily Longs Peak Hospital) are located in the primary service area designated as the Longmont Region, which consists of zip codes within Boulder County and Larimer County.

The primary service area of the Central Region of the System consists of zip codes within Adams County, Arapahoe County, Boulder County, the City and County of Broomfield, the City and County of Denver, Douglas County and Jefferson County. This area has a population estimated¹ at 3,111,525 in 2017 compared to 2,753,911 in 2010 (a 13.0% increase).

¹ Source: Esri Business Analyst

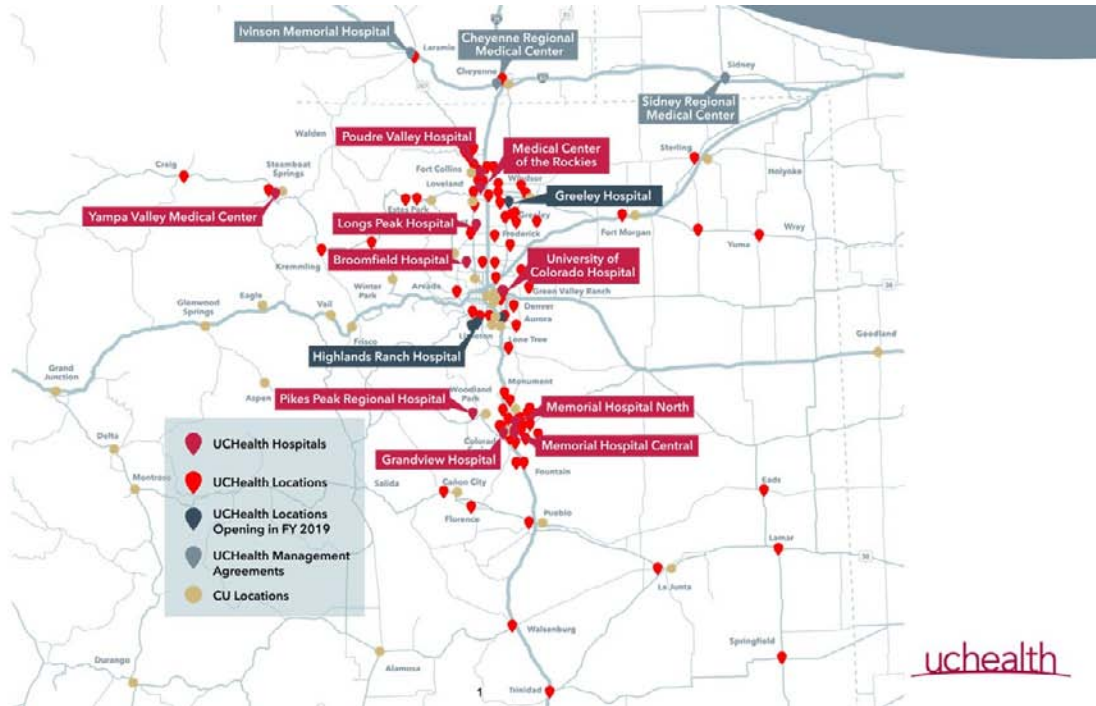
The primary service area of the South Region of the System consists of zip codes within El Paso County. This area has a population estimated¹ at 695,486 in 2017 compared to 623,174 in 2010 (an 11.6% increase).

Mergers and affiliations among hospitals and health systems have been prevalent in the System's service area. In addition to the formation of the System, the UCHHealth Members have entered into a number of affiliations with other health care providers in order to enhance their ability to deliver high quality and cost-effective services. See "SYSTEM OPERATING INFORMATION—Principal Affiliations and Joint Ventures" in this Appendix A. The System is not currently involved in an acquisition, merger or affiliation with other health systems or related entities other than as described in this Appendix A, but it may do so in the future.

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System Service Area Map

The following map shows the System's hospitals.



System Service Area Providers

The System is unique in its primary service area, as a locally-owned system combining an academic medical center and two community hospital systems, currently consisting of a total of ten acute care hospitals. The System's competition is discussed by primary service area region below.

North Region. The System's primary competitor in the North Region is Banner Health. Banner Health is a nonprofit health care system with operations in seven states. Banner Health operates three acute care hospitals within the North Region primary service area: North Colorado Medical Center located in Greeley, Colorado; McKee Medical Center located in Loveland, Colorado and Fort Collins Medical Center located in Fort Collins, Colorado. Banner Health operates an additional two facilities in Colorado outside the North Region primary service area. Other facilities within or in the immediate vicinity of the North Region primary service area include: Centura Health System's Longmont United Hospital located just outside of the primary service area and Estes Park Medical Center located within the primary service area. The Greeley Hospital, when completed, will operate in the North Region. See "SYSTEM OPERATING INFORMATION—North Region Facilities and Operations." Longs Peak Hospital is included in the System's North Region facilities and operations (see "SYSTEM OPERATING INFORMATION—North Region Facilities and Operations"), but its primary service area is the Longmont Region, as discussed above.

Central Region. The System's primary competitors in the Central Region are HealthONE, Centura Health System and SCL Health. HealthONE operates six acute care hospitals within the Central Region primary service area, as well as a rehabilitation hospital. Centura Health System operates eight acute care hospitals and one orthopedic hospital within the Central Region primary service area and SCL Health operates six acute care hospitals in the primary service area. Excluding specialty hospitals such as Children's Hospital and National Jewish Medical and Research Center, there are two independent acute care hospitals within the Central Region primary service area: Boulder Community Hospital and Denver Health Medical Center. The System's Highland's Ranch Hospital, when completed, will operate in the Central Region. See "SYSTEM OPERATING INFORMATION—Central (Metropolitan Denver) Region Facilities and Operations."

The closest inpatient facility to University Hospital (other than Children's Hospital) is the Medical Center of Aurora South Campus (four miles south of University Hospital).

South Region. The System's primary competitor in the South Region is Centura Health System. Centura Health System operates two acute care hospitals within the South Region primary service area. There are also two military hospitals in the Colorado Springs area, which are located at Fort Carson Army Base and Peterson Air Force Base. Military hospitals do not disclose their utilization data and treat military and military dependent personnel almost exclusively.

The market shares (based on discharges excluding ages 0-17, Children's Hospital¹ and normal newborns) by primary service areas of the System and the other competitive systems and independent hospitals in the primary service areas for calendar years 2015, 2016 and 2017 are shown in the following table. The market share is calculated based on the patients originating from the zip codes in the System's primary service area regions.

¹ Children's Hospital is neither a Member of the Obligated Group nor a UCHealth Member and is not liable with respect to the Series 2018 Bonds.

**Market Share by Total Discharges
Primary Service Areas By Region Peer Group**

<u>Hospital</u>	<u>2015</u>		<u>2016</u>		<u>2017</u>	
	<u>Discharges</u>	<u>Region Market Share</u>	<u>Discharges</u>	<u>Region Market Share</u>	<u>Discharges</u>	<u>Region Market Share</u>
North Region						
<i>UCHealth System</i>	20,837	56.2%	21,475	58.4%	22,351	58.1%
Banner Health System	12,372	33.4%	11,595	31.5%	12,113	31.5%
Centura Health System	850	2.3%	807	2.2%	863	2.2%
All Other	<u>2,990</u>	8.1%	<u>2,890</u>	7.9%	<u>3,141</u>	8.2%
Total North Region	<u>37,049</u>		<u>36,767</u>		<u>38,468</u>	
Longmont Region						
<i>UCHealth System</i>	686	7.9%	786	9.2%	1,273	14.4%
Centura Health System	5,227	60.5%	5,051	58.8%	4,891	55.3%
SCL Health System	1,156	13.4%	1,277	14.3%	1,200	13.6%
All Other	<u>1,566</u>	18.1%	<u>1,523</u>	17.7%	<u>1,476</u>	16.7%
Total Longmont Region	<u>8,635</u>		<u>8,587</u>		<u>8,840</u>	
Central Region						
<i>UCHealth System</i>	22,897	11.3%	22,823	11.0%	23,410	11.2%
HealthOne System	64,332	31.7%	65,247	31.5%	66,342	31.8%
Centura Health System	49,033	24.2%	49,382	23.9%	49,533	23.7%
SCL Health System	42,615	21.0%	44,625	21.6%	44,639	21.4%
All Other	<u>24,029</u>	11.8%	<u>24,955</u>	12.1%	<u>24,674</u>	11.8%
Total Central Region	<u>202,906</u>		<u>207,032</u>		<u>208,598</u>	
South Region						
<i>UCHealth System</i>	21,099	50.4%	22,101	50.7%	22,443	50.2%
Centura Health System	19,163	45.8%	19,970	45.8%	20,634	46.2%
All Other	<u>1,569</u>	3.8%	<u>1,549</u>	3.6%	<u>1,610</u>	3.6%
Total South Region	<u>41,831</u>		<u>43,620</u>		<u>44,687</u>	
Total Primary Service Area Discharges	<u>290,421</u>		<u>296,006</u>		<u>300,593</u>	

Source: Colorado Hospital Association

The market shares (based on discharges excluding ages 0-17, Children's Hospital¹ and normal newborns) of the System, the other major health systems and the combined independent hospitals in the State of Colorado for calendar years 2015, 2016 and 2017 are shown in the following table.

¹ Children's Hospital is neither a Member of the Obligated Group nor a UCHealth Member and is not liable with respect to the Series 2018 Bonds.

**Market Share by Total Discharges
State of Colorado By Systems and Independent Hospitals**

System	2015		2016		2017	
	Discharges	Market Share	Discharges	Market Share	Discharges	Market Share
Centura Health System	88,684	24.1%	90,262	24.1%	91,524	24.0%
UCHealth System	71,200	19.4%	72,870	19.4%	76,765	20.2%
HealthOne System	69,913	19.0%	71,033	19.0%	72,380	19.0%
SCL Health System	57,742	15.7%	60,288	16.1%	60,322	15.8%
Banner Health System	15,625	4.2	14,644	3.9%	15,322	4.0%
All Other	<u>64,659</u>	17.6%	<u>65,589</u>	17.5%	<u>64,374</u>	16.9%
Total Discharges	<u>367,823</u>		<u>374,706</u>		<u>380,687</u>	

Source: Colorado Hospital Association

The market share by service line (excluding ages 0-17, Children's Hospital¹ and normal newborns and accounts with \$0 charges) of the System, by region primary service area and for the State of Colorado for calendar year 2017 are shown in the following table. The market share is calculated based on the patients originating from the zip codes in the System's primary service area regions.

Service Line	North Region Facilities (%)	Longmont Region Facilities (%)	Central Region Facilities (%)	South Region Facilities (%)	Colorado (%)
Bone Marrow Transplants	47.1	57.1	20.3	26.7	27.7
Burns	35.9	63.6	55.5	91.1	55.6
Cardiac Surgery	62.5	35.4	16.4	53.4	29.1
Cardiology - Electrophysiology	50.3	22.4	8.9	54.1	19.4
Cardiology - Interventional	59.9	28.9	11.4	54.3	23.8
Cardiology - Medical	52.1	12.8	13.1	45.9	19.6
General Medicine	58.7	12.8	11.2	51.6	19.1
General Surgery	57.3	18.7	11.3	50.3	20.3
Gastrointestinal Medicine	59.6	12.6	12.7	53.5	22.2
Heart Transplants	100.0	100.0	100.0	100.0	100.0
Kidney/Pancreas Transplants	95.2	88.9	67.0	67.6	69.8
Liver Transplants	83.3	100.0	84.8	83.3	81.2
Lung Transplants	100.0	100.0	100.0	100.0	100.0
Neurology	59.8	12.2	12.6	54.6	22.7
Neurosurgery	64.8	21.3	19.2	57.3	29.8
Obstetrics/Gynecology	54.0	16.4	10.8	58.3	20.5
Oncology - Hematology	64.3	19.7	22.0	53.6	29.4
Ophthalmology	72.2	40.0	25.7	52.6	33.1
Orthopedics	56.7	9.6	6.7	35.5	15.6
Otolaryngology	61.0	19.4	12.7	47.8	21.1
Psychiatry	66.0	8.0	2.1	30.7	13.1
Pulmonary	55.4	9.1	11.3	49.7	19.0
Spine	66.0	8.4	8.0	41.4	17.9
Substance Abuse	63.9	10.6	11.4	49.7	20.2
Thoracic and Vascular Surgery	62.9	29.5	14.2	54.6	23.6
Urology	71.3	18.1	17.0	48.1	28.4

Source: Colorado Hospital Association

¹ Children's Hospital is neither a Member of the Obligated Group nor a UCHealth Member and is not liable with respect to the Series 2018 Bonds.

SUMMARY OF SYSTEM FINANCIAL INFORMATION

General

The financial information presented in this Appendix A is derived from the audited Basic Financial Statements of UCHealth for the years ended June 30, 2017 and 2016, included in Appendix B. The Basic Financial Statements attached as Appendix B were audited by EKS&H LLLP, independent accountants. Financial information for the System is also presented for the nine month periods ending March 31, 2018 and 2017. Such information is derived from the unaudited Balance Sheets and Statements of Revenue, Expenses and Changes in Net Position as of and for the nine month periods ending March 31, 2017 and 2018 included in Appendix B. The Balance Sheets and Statements of Revenue, Expenses and Changes in Net Position as of and for the nine month periods ending March 31, 2017 and 2018 are unaudited but, in the opinion of management of the System, include all adjustments (consisting only of normal recurring accruals) necessary to a fair presentation of the operating information for such periods. The results for the nine months ended March 31, 2018 are not necessarily indicative of results that may be expected for the entire fiscal year.

The financial information presented in this Appendix A includes information for certain affiliates of UCHealth that are not Members of the Obligated Group. These affiliates include the UCH Foundation, the PVH Foundation, the YVMC Foundation, Lakota Lake, LLC, UCHealth Partners LLC and UCHealth Plan Administrators, LLC. For the twelve-month period ended June 30, 2017, these affiliates represented approximately 1.1% of the combined total assets of the System and approximately 0.4% of net income of the System. The supplementary schedules attached to the Basic Financial Statements show the separate operating information for the Members of the Obligated Group on a consolidating and a consolidated basis.

Summary of Revenue and Expenses

The table below presents a summary of the System's revenue and expenses and increase in net position for the fiscal years ended June 30, 2016 and 2017 and for the nine month periods ending March 31, 2017 and 2018. See "SUMMARY OF SYSTEM FINANCIAL INFORMATION—General" above for a description of the basis of preparation of this summary.

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System Summary of Revenue, Expenses and Changes in Net Position
(in thousands)

	Audited		Unaudited	
	Fiscal Year Ended June 30,		Nine Months Ended	
	2016	2017	2017	2018
Operating revenue:				
Net patient service revenue ⁽¹⁾	\$3,225,235	\$3,600,309	\$2,654,850	\$3,114,989
Other operating revenue	<u>66,527</u>	<u>67,967</u>	<u>45,820</u>	<u>61,450</u>
Total operating revenue	<u>3,291,762</u>	<u>3,668,276</u>	<u>2,700,670</u>	<u>3,176,439</u>
Operating expenses:				
Wages, contract labor and benefits	1,387,919	1,514,706	1,123,753	1,331,999
Supplies	662,072	762,071	565,347	666,242
Purchased services and other expenses	605,772	723,000	520,707	648,190
Depreciation and amortization	<u>170,792</u>	<u>174,277</u>	<u>128,154</u>	<u>147,707</u>
Total operating expenses	<u>2,826,555</u>	<u>3,174,054</u>	<u>2,337,961</u>	<u>2,794,138</u>
Operating income	<u>465,207</u>	<u>494,222</u>	<u>362,709</u>	<u>382,301</u>
Nonoperating revenue and expenses:				
Interest expense	(46,209)	(50,855)	(37,959)	(40,046)
Investment income	34,536	335,110	254,759	221,169
Unrealized gain (loss) on derivative investments	(12,040)	12,045	14,051	11,192
Gain (loss) on disposal of capital assets	290	327	313	(231)
Other, net	<u>(42,927)</u>	<u>(39,261)</u>	<u>(27,926)</u>	<u>(28,853)</u>
Total nonoperating revenue and expenses	<u>(66,350)</u>	<u>257,366</u>	<u>203,238</u>	<u>163,231</u>
Income (loss) before distributions and contributions	398,857	751,588	565,947	545,532
Distributions to minority interest in component unit	(5,881)	(4,684)	(3,253)	(4,059)
Contributions restricted for capital assets	6	10	10	12
Contributions restricted, other	6,401	4,016	3,713	2,854
Acquisition of Interest in Component Units	--	--	--	43,473
Change in net position	399,383	750,960	566,417	587,812
Net position, beginning of year or period	<u>2,557,237</u>	<u>2,956,620</u>	<u>2,956,620</u>	<u>3,707,550</u>
Net position, end of year or period	<u>\$2,956,620</u>	<u>\$3,707,550</u>	<u>\$3,523,037</u>	<u>\$4,295,362</u>

(1) In accordance with GASB Statement No. 34, bad debt expense is classified as a reduction of net patient service revenue.

Balance Sheets

The following is a summary of the balance sheets of the System as of June 30, 2016 and 2017 and as of March 31, 2018. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—General” above for a description of the basis of preparation of the financial information included in this summary.

System Summary Balance Sheets
(in thousands)

	Audited At June 30,	Unaudited At March 31,	
	2016	2017	2018
Current assets	\$832,451	\$987,837	\$1,072,202
Capital assets, net of accumulated depreciation	1,805,206	1,994,673	2,300,880
Non-current assets and other assets	2,640,008	3,342,505	3,621,339
Deferred outflows of resources	82,164	53,628	43,816
Total assets and deferred outflows of resources	\$5,359,829	\$6,378,643	\$7,038,237
Current liabilities	\$916,699	\$801,179	\$912,284
Long-term debt and fair value of swap agreements	1,321,308	1,738,084	1,699,548
Other long-term liabilities	160,793	126,013	126,970
Deferred inflows of resources	4,409	5,817	4,073
Total liabilities and deferred inflows of resources	\$2,403,209	2,671,093	2,742,875
Net position	\$2,956,620	\$3,707,550	\$4,295,362
Total liabilities, deferred inflows of resources and net position	\$5,539,829	\$6,378,643	\$7,038,237

Historical Pro Forma Debt Service Coverage Ratios

The following table sets forth the System's historical coverage of pro forma Maximum Annual Debt Service for the fiscal years ended June 30, 2016 and 2017. The pro forma Maximum Annual Debt Service assumes the issuance of the Series 2018 Bonds and the application of the proceeds thereof (see "USE OF SERIES 2018 BOND PROCEEDS" in the body of this Official Statement) and includes annual payments required by the System under other long-term debt, the MHS Lease and other capitalized leases of the System.

**System Historical Pro Forma
Debt Service Coverage Ratios**
(dollars in thousands)

	Fiscal Year Ended June 30,	
	2016	2017
Income before distributions and contributions	\$398,858	\$751,588
Add back:		
Depreciation and amortization	170,792	174,277
Interest expense	46,209	50,855
Unrealized (Gain)/Loss on investments	75,803	(279,558)
(Gain)/Loss on disposal of capital assets	(290)	(327)
Income available for debt service	<u>\$691,372</u>	<u>\$696,835</u>
Pro forma Maximum Annual Debt Service ⁽¹⁾	\$85,457	\$85,457
Coverage of Maximum Annual Debt Service	8.1x	8.2x

⁽¹⁾ Based on assumptions described under the caption "ESTIMATED DEBT SERVICE SCHEDULE" in the body of this Official Statement; such assumptions do not comply with the definition of Long-Term Debt Service Requirements in the Master Indenture as discussed therein.

Historical and Pro Forma Capitalization

The following table sets forth the System's capitalization and Indebtedness Ratios as of June 30, 2016 and 2017, and pro forma capitalization and Indebtedness Ratio as of March 31, 2018, assuming the issuance of the Series 2018 Bonds and the application of the proceeds thereof (see "USE OF SERIES 2018 BOND PROCEEDS" in the body of this Official Statement) as of that date. See "SUMMARY OF SYSTEM FINANCIAL INFORMATION—General" above for a description of the basis of preparation of the financial information included in this table.

System Historical and Pro Forma Capitalization

(dollars in thousands)

	Audited As of June 30,		Unaudited As of March 31,
	2016	2017	2018 (proforma)
Long-term and short-term debt	\$1,576,185	\$1,849,074	\$1,760,995
Unrestricted net position ⁽¹⁾	2,912,047	3,659,644	4,198,617
Total capitalization	\$4,488,232	\$5,508,718	\$5,959,612
Ratio of long-term debt to total capitalization (Indebtedness Ratio)	35.1%	33.6%	29.5%

- ⁽¹⁾ Unrestricted net position equals the sum of the following, as shown on the balance sheets included in the Basic Financial Statements in Appendix B and in the unaudited balance sheets in Appendix B: (i) Invested in capital assets, net of related debt, (ii) Expendable—Held by trustee for debt service, and (iii) Unrestricted.

Liquidity

The following table sets forth the liquidity of the Obligated Group Members in terms of cash and cash equivalents and investments as of June 30, 2016 and 2017 and March 31, 2018. See "SUMMARY OF SYSTEM FINANCIAL INFORMATION—General" above for a description of the basis of preparation of the financial information included in this table. Excluded from the cash, cash equivalents and investments are trustee-held bond funds, self-insurance assets and restricted assets.

Obligated Group Cash on Hand

(dollars in thousands)

	Audited As of June 30,		Unaudited As of March 31,
	2016	2017	2018
Cash and Cash Equivalents	\$ 79,645	\$ 316,274	\$ 280,308
Investments ⁽¹⁾	2,702,938	3,119,232	3,502,419
Total	\$2,782,583	\$3,435,506	\$3,782,727
Total Expenses ⁽²⁾	\$2,829,921	\$3,197,582	\$3,867,295
Days Cash on Hand ⁽³⁾	359.9	392.2	375.9

- ⁽¹⁾ Investments do not include the mark-to-market value of the Authority's interest rate swaps.
- ⁽²⁾ Operating expenses less depreciation, plus interest expense and provision for bad debt. The values for the period ending March 31, 2018 are based on a rolling 12 months of total operating expenses.
- ⁽³⁾ Days cash on hand is calculated by dividing the total of cash and investments at the end of the fiscal year or other period by the quotient of total operating expenses (other than depreciation) plus interest expense (actual) and provision for bad debt in such fiscal year or period divided by the actual number of days in such fiscal year or period.

The following table sets forth the liquidity position of the Obligated Group Members as of March 31, 2018. See “SUMMARY OF SYSTEM FINANCIAL INFORMATION—General” above for a description of the basis of preparation of the financial information included in this table.

Obligated Group Liquidity Position Report (dollars in thousands)	Unaudited March 31, 2018
<u>ASSETS</u>	
Daily Liquidity	
Money Market Funds (SEC 2a-7 compliant and Aaa-rated by Moody’s)	\$ 4,444
Checking and deposit accounts at P-1 rated bank	280,291
US Treasuries & Agencies with less than 3-year maturity	99,130
US Treasuries & Agencies with greater than 3-year maturity	210,116
Other invested cash	--
<i>Subtotal Daily Liquidity</i>	<i>\$ 593,981</i>
Weekly Liquidity	
Fixed Income	\$ 992,646
Equities	1,665,130
Other holdings with weekly liquidity	--
<i>Subtotal Weekly Liquidity</i>	<i>\$ 2,657,776</i>
Monthly Liquidity	
Total Daily, Weekly, and Monthly Liquidity	
Longer Term Liquidity	
Total Sources of Liquidity	
<u>DEBT SUBJECT TO TENDERS WITH ONE WEEK OF NOTICE</u>	
Variable Rate Demand Bonds with Self-Liquidity ⁽¹⁾	\$154,625
Total Debt Subject to Tenders With One Week of Notice	

- ⁽¹⁾ Assumes the issuance of the Series 2018 Bonds and the application of the proceeds thereof (see “USE OF SERIES 2018 BOND PROCEEDS” in the body of this Official Statement).

Investment Policy and Investment Allocation

UCHealth has an Investment Policy approved by its Board of Directors. The Board of Directors has delegated to the management of UCHealth the control of investments in accordance with the Investment Policy. The Investment Policy provides investment guidelines as well as limitations on types of investments and parameters for investment allocations.

Overall investment results of the System (realized and unrealized, but without taking into account investment expenses or unrealized gains or losses on interest rate swaps) for unrestricted investments have been a 1.6% gain in fiscal year 2016 and a 11.6% gain in fiscal year 2017. At June 30, 2017, the operating

portfolio was in balance relative to the targeted asset allocation, with 54.5% in equity and commodity funds, 43.9% in fixed income and the balance in hedge funds or cash accounts.

The following table shows the estimated fair market value of unrestricted long-term investments by category as of June 30, 2016 and 2017 for the System.

**System Investments
(in thousands)**

Investment Category	As of June 30,	
	2016	2017
Cash Equivalents	\$57,510	\$ 37,329
U.S. Treasury Bills	201,083	194,299
U.S. Government Agency, Pool and Mortgage-Backed Securities	63,460	95,443
Asset-Backed Securities	66,786	49,382
Mutual Bond Funds	540,102	467,631
Treasury Inflation Protected Securities (“TIPS”)	152,075	151,560
Corporate Bonds	179,738	298,894
Equity Securities	1,545,707	2,010,609
Interest and Dividends Receivable	2,497	5,094
Miscellaneous Investment Payable	(5,344)	(2,261)
Total	<u>\$2,803,614</u>	<u>\$3,316,980</u>

At June 30, 2017, the Authority’s interest rate swap agreements include a floating to fixed swap relating to the Series 2013C Bonds in the notional amount of \$63.825 million in which the Authority pays a fixed rate of 3.500% and receives a percentage of one-month LIBOR plus a fixed spread, and a floating to fixed rate swap relating to the Series 2013A Bonds with a current notional amount of \$88.720 million in which the Authority pays a fixed rate of 3.631% and receives a percentage of one-month LIBOR plus a fixed spread. See note 7 in the Basic Financial Statements in Appendix B.

UCHealth entered into a forward starting interest rate exchange agreement in the notional amount of \$198.805 million, under which, commencing September 1, 2018, UCHealth will pay a fixed rate of 1.810% and the counterparty will pay a variable rate tied to a percentage of LIBOR. UCHealth also entered into a total return interest rate exchange agreement in the notional amount of \$152.075 million, with respect to the University of Colorado Hospital Authority Revenue Bonds Series 2017A, in which the Authority receives a fixed rate of 4.625% and pays SIFMA plus a fixed spread.

See “BONDHOLDERS’ RISKS—Interest Rate Agreements” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS—The Master Indenture” in the body of this Official Statement.

Long-Term Indebtedness

The table below sets forth the long-term indebtedness of the System at March 31, 2018, assuming the issuance of the Series 2018 Bonds. The table lists all of the long-term indebtedness secured by the Master Indenture other than capital lease obligations and gives effect to the application of the proceeds of the Series 2018 Bonds to the refunding of certain existing Bonds of the Authority.

System Debt Features and Related Transactions

Bond Series	Principal Amount	Mode
2009A	37,800,000	Fixed
2011B	97,430,000	Direct Purchase Fixed to 11/15/2021
2011C	38,170,000	Direct Purchase Fixed
2012A	242,370,000	Fixed
2012B	50,000,000	Direct Purchase Variable/Indexed
2012C	87,510,000	Direct Purchase Variable/Indexed
2013A	86,630,000	Direct Purchase Variable/Indexed
2013B	9,080,000	Direct Purchase Variable/Indexed
2013C	62,245,000	Direct Purchase Variable/Indexed
2015D	198,640,000	Direct Purchase Variable/Indexed
2017A	152,075,000	Fixed
2017B	108,710,000	Variable
2017C-1	141,640,000	Fixed to 2020
2017C-2	134,450,000	Fixed to 2022
2018A	45,915,000	Variable
2018B	76,170,000	Variable
2018C	75,265,000	Variable

Approximately 49% of the outstanding principal amount of such long-term indebtedness will bear interest at variable rates on the date of issuance of the Series 2018 Bonds, assuming the issuance of the Series 2018 Bonds and the application of the proceeds thereof. The mandatory tender dates with respect to the direct purchase bonds are in 2020 with respect to the Series 2012C Bonds and the Series 2017C-1 Bonds; in 2021 with respect to the Series 2011B Bonds, the Series 2013A Bonds, the Series 2013B Bonds, the Series 2013C Bonds and the Series 2015D Bonds; in 2022 with respect to the Series 2011C Bonds, the Series 2012B Bonds and the Series 2017C-2 Bonds.

Capital Budget and Projects

The System has budgeted \$79.3 million in fiscal year 2019 for routine capital expenditures at System facilities, including the facilities of MHS¹. The routine capital budget is expected to grow 5% annually. The UCHHealth Board has also approved a number of strategic capital projects to consolidate operations and grow the System. The routine capital expenditures and strategic capital projects described herein are expected to be funded with cash of the System. The System has multiple capital projects underway that are expected to be completed in fiscal year 2019, including the Greeley Hospital (\$61.2 million budgeted), the Highlands Ranch Hospital (\$188.5 million budgeted), the Inverness Sports Medicine and Ambulatory Surgery Center (\$59.8 million budgeted), the Memorial Hospital North expansion (\$45.2 million budgeted) and the Cherry Creek Medical Center project (\$111.1 million estimated budget).

¹ The System has certain capital improvement obligations under the MHS Lease. See “SUMMARY OF THE MHS LEASE—Capital Improvements” in Appendix E.

Retirement and Pension Plans

The Authority has two pension plans that cover substantially all of its employees. The Authority maintained a single-employer non-contributory, cash balance pension plan (the “Frozen Plan”) for Authority employees through March 1995. Under this plan, contributions credited to each covered employee’s account were based on a percentage of compensation earned by the employee. Vesting under the plan was based on length of service. As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date and the balances were frozen. Employee accounts continue to accrue interest based on the required interest rate.

The Basic Pension Plan is a single-employer, non-contributory, defined benefit plan. The plan is described in more detail in note 14 in the Basic Financial Statements in Appendix B. Eligibility to receive benefits under the plan begins on the date of hire by the Authority (MHS employees active as of October 1, 2012 and PVH System employees active as of January 4, 2013 were also eligible to participate). Effective September 1, 2012, participants are vested in their accrued benefit at 20% per every twelve months of service until they are 100% vested after five years. The annual accrued benefits are calculated at 1.5% times the Average Annual Compensation times years of service. The five most highly compensated calendar years of service after March, 1995 are used to calculate Average Annual Compensation.

Although the Basic Pension Plan is a governmental plan and, therefore, exempt from the requirements of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”), the System’s practice is to contribute amounts at least equal to the minimum funding requirements of ERISA. The System made contributions of approximately \$74.4 million and \$68.0 million to the Basic Pension Plan in the 2017 and 2016 fiscal years, respectively. Membership in the Basic Pension Plan consisted of 24,847 total members at July 1, 2017. The actuarially computed net periodic pension cost for the Basic Pension Plan for 2017 and 2016 was approximately \$80.3 million and \$78.8 million, respectively. The Basic Pension Plan’s fiduciary net position as a percentage of the total pension liability was 86.0% and 79.3% as of June 30, 2017 and 2016, respectively. See note 14 in the Basic Financial Statements in Appendix B. As of June 30, 2017, the System had made all required contributions to the pension plan for the year ended June 30, 2017.

The Authority also offers a defined contribution retirement plan, a tax-deferred annuity plan (the “Matching Account”) and a 457b tax-deferred plan. The System will match employee contributions 100% on the first 3% of gross compensation contributed to the Matching Account plan. The System’s matching contributions for the 2017 and 2016 fiscal years were approximately \$23.5 million and \$21.2 million, respectively. The System also provides post-retirement medical premium subsidy to certain employees, as well as an employer-funded life insurance benefit. The accrued post-retirement benefit liability balances at June 30, 2017 and 2016 were \$3.5 million and \$3.8 million, respectively. See note 14 in the Basic Financial Statements in Appendix B.

SYSTEM SOURCES OF REVENUE

Sources of Gross Patient Revenue

Summarized below are the sources of gross patient revenue for the System for twelve-month periods ended June 30, 2016 and 2017.

System Gross Patient Revenue by Payment Source (in thousands)

	2016		2017	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Medicare ⁽¹⁾	\$4,135,254	37.4%	\$4,770,696	37.4%
Managed Care/Commercial ⁽²⁾	3,880,947	35.1	4,464,555	35.0
Medicaid ⁽¹⁾	2,465,673	22.3	2,844,559	22.3
Uninsured ⁽³⁾	232,193	2.1	293,385	2.3
Other	<u>342,762</u>	3.1	<u>382,676</u>	3.0
TOTAL	<u>\$11,056,829</u>		<u>\$12,755,871</u>	

(1) Includes HMOs for Medicare and Medicaid recipients.

(2) Includes commercial insurance products such as HMOs (including TriCare, but excluding Medicare and Medicaid HMOs) and PPOs which provide incentives to enrollees to obtain services from providers who contract to deliver services at agreed upon rates.

(3) Includes self-pay and indigent care patients. Also includes CICP revenue. See “—Colorado Indigent Care Program Reimbursement” below.

Medicare and Medicaid

Payment for Medicare and Medicaid patient services is determined in accordance with Medicare and Medicaid regulations. Medicare and Medicaid patients presently comprise a significant percentage of the System’s utilization. Medicare and Medicaid payments to the System are often less than the cost of providing services. See “BONDHOLDERS’ RISKS” and “REGULATION OF THE HEALTH CARE INDUSTRY” in the body of this Official Statement.

In May 2013, the governor of Colorado signed into law the Medicaid expansion authorized by the Affordable Care Act. As a result of the expanded coverage since January 2014, Medicaid revenue of the System grew from 12.9% of gross revenues to 22.3% and revenue attributable to the uninsured dropped from 9.3% to 2.3% of gross revenues between the fiscal years ended June 30, 2013 and 2017. Repeal or further amendment of the Affordable Care Act could have a negative effect on the System. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform” in the body of this Official Statement.

Medicaid Upper Payment Limit and Disproportionate Share Payments

The System participates in the Colorado Disproportionate Share Hospital (“DSH”) Program which distributes federal DSH payments to providers that serve a disproportionate number of Medicaid and uninsured patients. Under the program, the State currently utilizes a provider fee as the local match for federal funding. See “—Colorado Indigent Care Program Reimbursement” below. The annual payments received by the System from the program are based on the cost of uncompensated charity care.

The State has historically made upper payment limit payments to the System in addition to Medicaid fee for service and managed care payments. The payments represent a portion of the difference between actual amounts paid under Medicaid fee for service programs and the Medicare Upper Payment

Limit (“UPL”). The UPL is the amount that Medicare would have reimbursed for the same services provided to Medicaid patients and represents the maximum amount that state Medicaid programs can pay for hospital and outpatient services. When there is a difference between the UPL and the actual amount paid under Medicaid, a state can opt, through a State Plan Amendment, to pay additional payments to providers. In 2010, the Colorado General Assembly enacted the Colorado Healthcare Affordability Act (“HCAA”) which implemented the provider fee program described below. The HCAA was replaced in 2017 with the Colorado Healthcare Affordability and Sustainability Enterprise Act of 2017, Section 25.5-4-402.4, Colorado Revised Statutes, which allows the State more flexibility to collect fees. The Provider fee is used by the State to finance the DSH and Supplemental Medicaid payments to hospitals. The System has been a net beneficiary under the DSH and UPL programs. The State revises the calculation annually and the fiscal year 2017-18 budget reflects a 9% reduction in overall payments to hospitals. Additionally, reductions in federal DSH payments under the Affordable Care Act as well as future changes in the State’s reimbursement methodology could have a negative effect on the System. See “BONDHOLDERS’ RISKS—Disproportionate Share and Hospital Provider Fees” in the body of this Official Statement.

Colorado Indigent Care Program Reimbursement

The Colorado Indigent Care Program (“CICP”) is a program for the medically indigent administered by the State Department of Health Care Policy and Financing to provide payment to providers for the provision of medical services to low income residents of Colorado with incomes up to 250% of the federal poverty level who do not qualify for Medicaid. In 2010, the State modified the CICP Safety Net Provider Program with the HCAA. The HCAA authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public health care programs. See “—Medicaid Upper Payment Limit and Disproportionate Share Payments” discussion above.

The System was charged \$129.6 million and \$114.3 million in hospital provider fees for fiscal years ended June 30, 2017 and 2016, respectively. Total CICP revenue for the System (net of amounts paid to CU Medicine) for fiscal years ended June 30, 2017 and 2016 was \$202.1 million and \$195.9 million, respectively.

Managed Care and Network Development; Commercial Insurance

The System contracts with local and national insurance carriers and has provider contracts with all major managed care plans in the State. For the fiscal year ended June 30, 2017, managed care products including TriCare, but excluding Medicare and Medicaid managed care, and other commercial insurance plans accounted for approximately 35.0% of the System’s gross patient revenue.

UCHealth Medical Group and CU Medicine also have contracts for physician services with all major health plans in the State. In most cases, CU Medicine’s contractual relationship with a health plan is independent of the System’s contract with the plan. Should CU Medicine fail to contract with one or more major health plans in the State, utilization of Authority facilities could be materially adversely affected. To date however, CU Medicine and the Authority remain in alignment with regard to contracted payors. UCHealth Medical Group contracting is administered by the System and aligns with all System contracts for PVH, MCR, Memorial Hospital North and Memorial Hospital Central.

The System has partnered with Anthem on a narrow network plan offering. Anthem is the System’s largest payer by both volume and revenue. Anthem offers a narrow network plan on the Colorado health care exchange, Connect for Health Colorado. The Authority also partners with Denver Health Medical

Center and Children’s Hospital in the central Denver metropolitan region on a narrow network plan offered to employees of Denver Health Medical Center as well as to local employer groups.

The System, along with CU Medicine, Children’s Hospital and a network of selected federally-qualified community health centers in Colorado, has an interest in “Colorado Access,” a not-for-profit corporation originally formed for the purpose of entering into capitated Medicaid contracts. Colorado Access’ current principal lines of business include: Access Behavioral Care, providing Medicaid behavioral health services; Child Health Plan Plus (“CHP+”), a managed care organization for children from low income families; Access Long Term Support Solutions, a single entry point agency providing care management and coordination of long-term services and support; and Regional Care Collaborative Organization (“RCCO”), a Medicaid accountable care organization/managed fee-for-service network. The RCCO program is the principal vehicle for enrollment of the newly-eligible Medicaid populations under the Affordable Care Act. As of May 31, 2018, Colorado Access covered approximately 685,000 total lives.

UCHealth Plan Administrators, LLC (“UCHPA”) is a third party administration division of UCHealth that was launched in 2014 to provide comprehensive, partially self-funded benefit plans to Colorado employers and their employees and dependents. UCHPA provides a clinically integrated benefit approach for Colorado employers with a variety of network options, including narrow and broad networks, patient centered medical homes, walk-in clinics, health and wellness programs and a variety of additional hospital programs and services. Comprehensive health benefit plans are customized to each employer’s needs and incorporate medical, pharmaceutical, dental, vision and consumer driven health plan arrangements. A single electronic medical record and member communication platform is utilized with employed physician and facility based physicians. The provider network is comprised of 4,743 employed physicians through UCHealth Medical Group, CU School of Medicine and facility based physicians, and an additional 4,702 community based provider agreements. UCHPA is audited on an annual basis by an independent accounting firm and has received a successful SOC 1, Type 2 accreditation for fiscal years 2015, 2016 and 2017.

The System has payment agreements with various commercial insurance plans. At present, most commercial insurance plans make direct payments to hospitals for services at contracted rates. These contracts provide for various reimbursement methodologies, including per diem rates, per discharge rates, discounts from established charges and package prices for inpatient and outpatient care. Patients carrying health coverage are responsible to pay the hospital any applicable co-payments, deductibles and coinsurance.

Uninsured and Charity Care

The System maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which differs by hospital facility. The program reduces uninsured patients’ liability to a level more equivalent to insured patients. In addition, the System provides medical care without charge or at reduced cost to uninsured or underinsured patients and those who are determined to be unable to pay. Such services have accounted for roughly 2.1% and 2.3% of gross patient service revenue of the System for the fiscal years ended June 30, 2016 and 2017, respectively. Repeal or amendment of the Medicaid expansion authorized by the Affordable Care Act could have a negative effect on the System. See “BONDHOLDERS’ RISKS—Legislative and Regulatory Changes; Health Care Reform” in the body of this Official Statement.

The System also provides various community-based social service programs and health related educational programs designed to improve the general standards of health in the communities it serves.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL AND OPERATIONAL PERFORMANCE

The financial information presented below includes information for certain affiliates of UCHHealth that are not Members of the Obligated Group. These affiliates include the UCH Foundation, the PVH Foundation, the YVMC Foundation, Lakota Lake, LLC, UCHHealth Partners LLC and UCHHealth Plan Administrators, LLC. For the nine month period ended March 31, 2018, these affiliates represented approximately 1.5% of the combined total assets of the System and approximately negative 4.7% of net income of the System. The supplementary schedules attached to the Basic Financial Statements show the separate operating information for the Members of the Obligated Group on a consolidating and a consolidated basis.

Fiscal Years Ended June 30, 2017 and 2016. See the audited Basic Financial Statements of UCHHealth for the fiscal years ended June 30, 2017 and 2016 included in Appendix B for Management's Discussion and Analysis of the fiscal years ended June 30, 2017 and 2016.

Nine Months Ended March 31, 2018. Utilization data comparing the nine month period ended March 31, 2018 with the same period in fiscal year 2017 show continued growth across the System. Inpatient admissions were up 5.1% from 62,893 to 66,080, while patient days were up 7.8% year over year from 282,431 to 304,422. Length of stay increased from 4.49 days to 4.61 days, up 2.7% from the prior year. Average occupancy increased from 66.9% to 67.0%. During the same period, outpatient clinic visits, excluding emergency department ("ED") visits, increased 17.0% to 2,519,133 visits. Total ED volumes were up 11.0% year-over-year increasing from 330,039 to 366,466. Total surgical volume was up from 54,240 to 59,551, representing a 9.8% increase. Finally, observation patient volumes were up 16.0% from the same period last year, growing from 24,481 to 28,407 observation patients. The increase in volumes was driven by increases in market share and population growth, in addition to the integration of UCHHealth Partners, the acquisition of Yampa Valley Medical Center, and the opening of the Longs Peak Hospital.

Total operating revenue rose 17.6% during the nine-month period ended March 31, 2018, compared to the same period in the prior fiscal year. The increase was driven by a 17.3% increase in net patient service revenue from \$2,654.9 million to \$3,115.0 million, which was reflective of higher acuity patients, negotiated rate increases with payors, continued growth in the outpatient settings, and continued facility expansion.

Due to inflation, volume growth, implementation of initiatives relating to patient access, and facility expansion, total operating expenses during the nine-month period ended March 31, 2018 compared to the same period in the prior fiscal year increased 19.5% over the same period. Wages, contract labor and benefits were up 18.5% to \$1,332.0 million, supplies were up 17.8% to \$666.2 million, purchased services and other operating expenses were up 24.5% to \$648.2 million and depreciation expense was up 15.3% to \$147.7 million.

Overall operating income of \$382.3 million for the nine months ended March 31, 2018 was up 5.4% from \$362.7 million for the same period from the prior year. Operating margin was 12.0% for the current period, compared to 13.4% for the same period in the prior year. The slight decrease was due to the growth in operating expenses exceeding growth in revenue for the period.

Non-operating revenues and expenses included a 5.5% increase in interest expense to \$40.0 million as a result of increasing interest rates. Investment income for the nine months ended March 31, 2018 was \$232.4 million compared to of \$268.8 million for the same period in the prior year. The investment portfolio was invested in a consistent fashion year-over-year, thus the decrease was the result of better market performance in the previous period. Other non-operating expenses increased from \$27.6 million in

2017 to \$29.1 million in 2018. The increase was due to higher donations to the CU School of Medicine, based on the academic support agreement executed between CU and the System. Total increase in net position for the nine month period ended March 31, 2018 was \$587.8 million compared to a \$566.4 million increase for the same period in the prior year.

Combined cash equivalents and long-term investments for the Obligated Group increased from \$3.229 billion at March 31, 2017 to \$3.783 billion at March 31, 2018 due to continued strong operations and investment performance. The increase corresponds to a days' cash on hand total of 375.9 days at March 31, 2018. Debt to capitalization ratios improved to 30.0% at March 31, 2018 as total unrestricted net position increased to \$4.243 billion. Revenue cycle performance continued to improve as net days in accounts receivable was 40.7 days as of March 31, 2018, compared to 41.7 days for the same period in the prior year.

OTHER INFORMATION

Licensure, Certification and Accreditation

The System's hospitals are licensed by the Colorado Department of Public Health and Environment to operate as general hospitals. All hospitals have been granted accreditation by The Joint Commission. The Authority is a member of the Colorado Hospital Association, the Council of Teaching Hospitals of the American Association of Medical Colleges and Vizient, Inc. (formerly University HealthSystem Consortium).

Insurance

The Authority, as a political subdivision of the State of Colorado, is entitled to the protection of the Colorado Governmental Immunity Act (the "Immunity Act"). The Immunity Act provides, in part, that public entities will be immune from liability, based on the principle of sovereign immunity, for all claims for injury which lie in tort or could lie in tort (regardless of the type of action or the form of relief chosen by the claimant), except as otherwise specifically excluded by the Immunity Act. Exceptions under the Act include claims resulting from, among others, (i) a public employee's operation, during the course of his or her employment, of a motor vehicle which is owned or leased by a public entity; (ii) a public entity's operation of a public hospital; and (iii) a dangerous condition of a public building or public facility operated by a public entity. The Immunity Act defines "dangerous condition" as a physical condition or use which constitutes an unreasonable risk to the health or safety of the public which is known to exist and which is proximately caused by the negligent act or omission of the public entity. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000 for claims accruing before January 1, 2018, or the sum of \$387,000 for claims accruing on or after January 1, 2018 and before January 1, 2022; or (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 for claims accruing before January 1, 2018, except in such instance, no person may recover in excess of \$350,000; or the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000. The Immunity Act provides for increases in those amounts every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index.

The Immunity Act also specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable either directly or by indemnification for punitive or exemplary damages or for damages for outrageous conduct, except as may be otherwise determined by a public entity pursuant to the Immunity Act. Pursuant to the Immunity Act, a public entity may prospectively waive its immunity. The Authority has not so waived its immunity and has no plans to do so but the

Authority waived the limits on recovery up to a minimum of \$1,000,000 per any single occurrence for Authority employees who are primarily assigned to work at the PVH System, UCH-MHS and the facilities in Longmont, Colorado as a result of the acquisition of the Longmont Clinic and the Longmont Surgery Center (now named the Longs Peak Surgery Center). The Immunity Act may be changed prospectively through amendment by the Colorado General Assembly at any time.

University Hospital carries professional liability insurance through the University of Colorado Self Insurance and Risk Management Trust (the “Risk Management Trust”). The participants in the Risk Management Trust are the University of Colorado, other affiliates of the University and the Authority. Basic limits of coverage correspond to the current limits on judgments set by the Immunity Act. The Risk Management Trust also provides coverage of \$8,000,000 per occurrence for claims arising outside the State of Colorado for which the limits of the Immunity Act may not apply.

The PVH System and UCH-MHS are covered for professional and general liability under policies issued by commercial providers. The policies are issued for a one year term and are renewed annually. Professional and general liability coverage is provided in an amount up to \$1 million per claim, \$3 million in aggregate and employee benefit liability is provided in an amount up to \$1 million per claim, \$1 million in aggregate.

With the exception of the professional liability insurance that is provided through the Risk Management Trust as described above, all of the System’s insurance needs are provided by commercial carriers. The System carries general liability, professional liability, automobile liability, aviation liability, cyber/privacy liability, managed care error and omission, property, pollution, crime, workers’ compensation, umbrella liability, directors’ and officers’ liability, and fiduciary liability at levels which management has determined to be adequate to protect the System’s assets. The System has retained the services of a professional insurance broker to assist in the overall management of the insurance coverage.

Litigation

No litigation or proceedings are pending or, to the knowledge of the Obligated Group Members, threatened, except (a) litigation, proceedings or claims involving professional liability claims or general liability claims in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management, are expected to be entirely within applicable insurance policy limits (subject to applicable deductibles) or not in excess of the total available reserves held under applicable self-insurance programs, and (b) litigation, proceedings or claims involving other types of claims, which if adversely determined, in the opinion of management, will not have a material adverse effect on the Obligated Group’s operations or financial condition.

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APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF UCHEALTH AND UNAUDITED INTERIM FINANCIAL STATEMENTS

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UNIVERSITY OF COLORADO HEALTH

Basic Financial Statements
For the Years Ended
June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)



UNIVERSITY OF COLORADO HEALTH

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UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

This discussion and analysis of the financial performance of University of Colorado Health ("UCHealth" or the "Health System") provides an overall review of UCHealth's financial activities as of and for the years ended June 30, 2017 and 2016.

The Management's Discussion and Analysis is designed to focus on the current fiscal year while providing comparison information for the previous fiscal year, resulting changes, and currently known facts; therefore, please read it in conjunction with the Health System's basic financial statements.

UCHealth Overview

- Effective July 1, 2012, UCHealth was created through a joint operating agreement with Poudre Valley Health Care Inc. ("PVHS") and the University of Colorado Hospital Authority ("UCHA"). Together, UCHA and PVHS are member organizations in UCHealth. UCHealth previously applied for and received its 501(c)(3) designation from the IRS on June 29, 2013. The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions.
- The initial term of the joint operating agreement is 50 years, with renewals or extensions anticipated. The agreement includes significant hurdles for termination other than by mutual agreement. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other's master trust indenture and, thereby, pledge their gross revenues to secure each member's obligations.
- UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board of Directors approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission, and oversight of other day-to-day operating activities.
- Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing Memorial Health System ("MHS"). UCHealth created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS. The original lease is for a 40-year term, with renewals or extensions anticipated.
- Effective October 1, 2012, all employees of MHS became employees of UCHA. Effective January 4, 2013, all employees of PVHS became employees of UCHA. All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA.
- The acquisition cost of MHS to UCHealth was \$400,000, with \$290,000 paid in cash at closing and \$110,000 in lease payments to be paid over 30 years. Effective October 1, 2012, a sublease agreement was executed with Children's Hospital Colorado to operate the pediatric units located at MHS and was valued at 15% of the organization. Children's Hospital Colorado paid the corresponding amount of the upfront payment and is responsible for its percentage of the ongoing lease payments to the City. The net acquisition cost to UCHealth after sublease to Children's Hospital Colorado was \$340,000. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and Children's Hospital Colorado. It is anticipated that the original provisions of the lease will be reinstated in the future when the new Children's Hospital facility is opened in Colorado Springs.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

UCHealth Financial Highlights

- Inpatient volumes, measured in admissions and patient days, increased over 2016. Volumes include inpatient units at the five UCHealth hospital facilities: University of Colorado Hospital, Poudre Valley Hospital, Medical Center of the Rockies, Memorial Hospital Central, and Memorial Hospital North. Volumes exclude activity associated with the Center for Dependency, Addiction, and Rehabilitation ("CeDAR"); Mountain Crest residential activity and normal newborns. Admissions totaled 86,829, which was a 3.8% increase over 2016. Patient days totaled 399,085 for fiscal year 2017, a 5.1% increase over the prior year.
- Outpatient volumes, measured by clinic visits, were 2,923,341 in 2017, which was a 14.2% increase over 2016. This figure includes activity at the five hospital locations, various outpatient and urgent care clinics located throughout the primary service areas and activity performed by the UCHealth Medical Group.
- Net patient service revenue of \$3,600,309 increased from 2016 by \$375,074 or 11.6%. Total operating revenue in 2017 was \$3,668,276. Total operating revenue consists of net patient revenue, grant revenue, and other revenue.
- Operating income was \$494,222 during the fiscal year, which is a 6.2% increase over 2016 operating income of \$465,207.
- According to Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, interest expense is defined as a non-operating expense and is classified as such in UCHealth's basic financial statements. Operating income would be \$443,367 in 2017 and \$418,998 in 2016 if interest expense were included as an operating expense.
- Non-operating revenue and expenses in 2017 was a gain of \$257,366, which is a \$323,716 increase from 2016. This change was primarily generated from an increase in investment income and unrealized gain on derivative instruments.
- Income before distributions and contributions was \$751,588 in 2017, which increased \$352,731 from 2016. Restricted contributions totaled \$4,026 for 2017.
- During fiscal year 2017, UCHealth continued implementation of a system-wide electronic medical record ("EMR") platform. The EMR system continues to go live in phases. \$7,966 was incurred on this project during the year ended June 30, 2017 for additional functionality and software licenses.
- During fiscal year 2017, UCHA completed construction to build out the shelled floor and operating room space in the new patient tower, Anschutz Inpatient Pavilion 2. This project was approved to meet increased inpatient demand and help alleviate bed capacity constraints. It includes opening four inpatient floors, with 132 total beds and four operating rooms. \$3,699 was incurred on this project during the year ended June 30, 2017.
- In December 2014, UCHA approved the project to renovate the Anschutz Outpatient Pavilion to convert non-clinical space within the building to exam and procedure rooms and renovate the vacated Emergency Department to function as outpatient clinics. \$5,354 was incurred on this project during the year ended June 30, 2017.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

UCHealth Financial Highlights (continued)

- In April 2014, PVHS approved the project to construct a new patient wing at Poudre Valley Hospital. This project was approved to update existing facilities and provide increased capacity for key service lines under constraint. The project has a total budgeted cost of \$102,860 and was opened in fiscal year 2017. \$45,103 was incurred on this project during the year ended June 30, 2017.
- In October 2014, MHS approved the project to upgrade and renovate Memorial Central Hospital. The project has a total budgeted cost of \$39,166 and is expected to be completed in phases through the end of fiscal year 2018. \$13,290 was incurred on this project during the year ended June 30, 2017.
- In October 2014, MHS approved the project to upgrade and expand Memorial North Hospital campus. The project had an original budgeted cost of \$98,358, which was increased to \$127,933 in February 2017. The project is expected to be completed in phases through the end of fiscal year 2019. \$6,441 was incurred on this project during the year ended June 30, 2017.
- In March 2015, UCHealth approved the project to construct a hospital and Ambulatory Surgery Center in Longmont ("Longs Peak Hospital"). The project includes 53 hospital beds, shelled space for future hospital expansion, and six total operating or procedure rooms. The project has a total budget of \$189,516 and is expected to be completed in fiscal year 2018. \$115,138 was incurred on this project during the year ended June 30, 2017.
- In February 2016, UCHealth approved the project to construct a hospital, cancer center, and medical office building in Highlands Ranch. The project includes 72 hospital beds, shelled space for future hospital expansion, and seven total operating or procedure rooms. The project has a total budget of \$314,433 and is expected to be completed in fiscal year 2019. \$20,673 was incurred on this project during the year ended June 30, 2017.
- In May 2016, UCHealth approved the project to construct a hospital and medical office building in Greeley. The project includes 53 hospital beds, a medical office building, and six total operating or procedures rooms. The project has a total budget of \$185,137 and is expected to be completed in fiscal year 2019. \$6,183 was incurred on this project during the year ended June 30, 2017.
- In October 2016, UCHealth completed the acquisition of the Steadman Hawkins Clinic in Greenwood Village and Lone Tree. The clinic provides comprehensive orthopedic care and provides care to the professional sports teams in Denver. \$8,011 was incurred on this acquisition during year ended June 30, 2017.
- In December 2016, UCHealth entered a forward-starting floating-to-fixed interest rate swap to coincide with a planned refunding of Series 2005 bonds. It is anticipated that the forward swap will hedge variable rate bonds issued in 2018 to current refund the fixed rate Series 2005 bonds ranging from 5.00% to 5.25% creating synthetic fixed rate debt. The swap agreement has an initial notional amount of \$198,805 and a fixed payor rate of 1.81%, and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly starting in September 2018.
- In January 2017, UCHealth completed an annual ratings update with Moody's, Standard & Poor's, and Fitch Ratings to rate the member organizations. Moody's maintained UCHA and PVHS rating at Aa3 Stable. Standard & Poor's maintained UCHA and PVHS rating at AA- but revised the outlook to Stable. Fitch Ratings maintained UCHA ratings at AA- but revised the outlook to positive.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

UCHealth Financial Highlights (continued)

- In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of \$152,075 to fully refund UCHA Series 2015A Revenue bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of \$152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement expires in March 2027.
- In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds ("Series 2017B") in the amounts of \$57,685 and \$57,125, respectively, to fully refund UCHA Series 2015B and Series 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connection with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.
- In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds ("Series 2017C") in the amounts of \$141,640 and \$134,450, respectively, to finance new projects across UCHealth. Series 2017C-1 were issued as 3-year put bonds at a premium. Series 2017C-2 were issued as 5-year put bonds at a premium. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule.

Overview of the Basic Financial Statements

- This discussion and analysis is intended to serve as an introduction to UCHealth's basic financial statements, which consist of the enterprise fund, including its blended component units, the pension trust fund, and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.
- UCHealth has two types of funds: an enterprise fund that accounts for all transactions related to UCHealth hospitals, physician groups, and the foundations' business, and a fiduciary fund for UCHA's employee pension plan.
- The balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America. This information provides an indication of UCHealth's financial health. The balance sheets include all of UCHealth's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statements of revenue, expenses, and changes in net position report all of the revenue and expenses during the periods indicated. The statements of cash flows report the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.
- Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. Required supplementary information relates to UCHA's progress in funding its obligation to provide pension benefits to its employees.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30 are summarized in Table 1 and are discussed below:

Table 1
University of Colorado Health
Balance Sheets

	2017	2016
Current assets	\$ 987,837	\$ 832,451
Capital assets, net of accumulated depreciation	1,994,673	1,805,206
Non-current assets and other assets	<u>3,342,505</u>	<u>2,640,008</u>
Total assets	6,325,015	5,277,665
Deferred outflows of resources	<u>53,628</u>	<u>82,164</u>
Total assets and deferred outflows of resources	<u><u>\$ 6,378,643</u></u>	<u><u>\$ 5,359,829</u></u>
Current liabilities	\$ 801,179	\$ 916,699
Long-term liabilities	<u>1,864,097</u>	<u>1,482,101</u>
Total liabilities	<u>2,665,276</u>	<u>2,398,800</u>
Deferred inflows of resources	<u>5,817</u>	<u>4,409</u>
Net position		
Invested in capital assets, net of related debt	114,671	202,767
Restricted		
Expendable		
Held by trustee for debt service	145,365	57,818
Restricted by donors	16,452	17,453
Non-expendable		
Permanent endowments	27,989	27,245
Minority interest in component unit	24,706	18,682
Unrestricted	<u>3,378,367</u>	<u>2,632,655</u>
Total net position	<u>3,707,550</u>	<u>2,956,620</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 6,378,643</u></u>	<u><u>\$ 5,359,829</u></u>

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Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Financial Analysis and Results of Operations (continued)

At June 30, 2017, UCHealth's total net position was \$3,707,550, which is an increase in total net position of \$750,930 or 25.4% from the prior year-end. UCHealth classifies net position as invested in capital assets, net of related debt, restricted, and unrestricted. Capital assets, net of related debt, increased during the fiscal year due to debt principal payments and additional capital expenditures. The unrestricted net position increase was driven primarily by strong operating performance and investment returns.

At June 30, 2017, UCHealth's cash and investment position was \$3,451,048, which is an increase of \$651,514 or 23.3% over June 30, 2016. Days cash on hand were 392.2 days as calculated per bond covenant requirements based on obligated group membership. Net days in accounts receivable were 40.3 as of June 30, 2017.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(\$s in thousands)

Revenue and Expenses

Revenues, expenses, and change in net position are summarized in Table 2 and are discussed below:

Table 2
University of Colorado Health
Revenue, Expenses, and Changes in Net Position

	Fiscal Years Ended June 30,	
	2017	2016
Operating revenue		
Net patient service revenue	\$ 3,600,309	\$ 3,225,235
Other operating revenue	67,967	66,527
Total operating revenue	<u>3,668,276</u>	<u>3,291,762</u>
Operating expenses		
Wages, contract labor, and benefits	1,514,706	1,387,919
Supplies	762,071	662,072
Purchased services and other expenses	723,000	605,772
Depreciation and amortization	174,277	170,792
Total operating expenses	<u>3,174,054</u>	<u>2,826,555</u>
Operating income	<u>494,222</u>	<u>465,207</u>
Non-operating revenues and expenses		
Interest expense	(50,855)	(46,209)
Investment income	335,110	34,536
Unrealized gain (loss) on derivative investments	12,045	(12,040)
Gain on disposal of capital assets	327	290
Other, net	(39,261)	(42,927)
Total non-operating revenue and expenses	<u>257,366</u>	<u>(66,350)</u>
Income before distributions and contributions	751,588	398,857
Net distributions to and contributions from minority interest in component unit	(4,684)	(5,881)
Contributions restricted for capital assets	10	6
Contributions restricted, other	<u>4,016</u>	<u>6,401</u>
Change in net position	750,930	399,383
Total net position, beginning of year	<u>2,956,620</u>	<u>2,557,237</u>
Total net position, end of year	<u>\$ 3,707,550</u>	<u>\$ 2,956,620</u>

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Net Patient Service Revenue

Net patient service revenue increased by \$375,074 or 11.6% in 2017 compared to 2016. The detail of net patient revenue can be found in Note 4 of the basic financial statements.

UCHealth provides care to patients who meet certain criteria under its charity care policies and to uninsured patients without charge or at amounts less than established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. Based on an analysis of direct and indirect costs specific to the procedures performed, the cost of these services was \$59,499 and \$53,865 in 2017 and 2016, respectively.

UCHealth maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which varies by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. The self-pay discounts and packages for 2017 and 2016 were approximately \$134,155 and \$111,306, respectively.

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to increase Medicaid payments to hospitals and expand coverage under public healthcare programs. The program became effective on January 1, 2010. For the year ended June 30, 2017, UCHealth was charged \$129,620 in hospital provider fees, compared to \$114,349 in 2016, and received \$202,105 in 2017 in disproportionate share revenue as compensation for indigent and uninsured care services provided compared to \$195,917 in 2016.

UCHealth benefits the community by providing programs, including those listed above, for uninsured and underinsured patients. The total benefit to UCHealth's communities for these programs was \$259,586 in 2017, which is an increase of \$36,168 over the 2016 benefit of \$223,418, and is determined by applying an adjusted cost-to-charge ratio to the charges under these programs and reducing the benefit amount by any actual reimbursement received for these programs.

Operating Expenses

Operating expenses were \$3,174,054 in 2017. This was an increase of \$347,499 or 12.3% in 2017 compared to 2016.

Wages, contract labor, and benefits expense of \$1,514,706 was a \$126,787 or 9.1% increase over the 2016 expense of \$1,387,919. This includes a 10.4% increase in salaries, a 9.9% decrease in contract labor, and a 9.1% increase in benefits.

Medical and non-medical supplies expense of \$762,071 increased by \$99,999 or 15.1% in 2017. Purchased services and other expenses of \$723,000 increased over 2016 by \$117,228 or 19.4%.

Non-Operating Revenue and Expenses

Non-operating revenue and expenses are discussed below:

Interest Expense

In accordance with GASB Statement No. 34, UCHealth records interest expense as a non-operating expense. Interest expense in 2017 was \$50,855 compared to \$46,209 in 2016.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Investment Income

Equity and Fixed Income Investments

Non-operating gain from UCHHealth's equity, fixed income, and cash investments was \$335,110 in 2017 and \$34,536 in 2016.

The equity portfolio gain was \$306,251 in 2017 compared to a loss of \$17,761 in 2016. Interest and dividend income on the portfolio was \$21,860, and realized and unrealized gains on the portfolio were \$284,391. The realized/unrealized gains were due to strong performance in the investment markets.

The fixed-income portfolio gain was \$28,710 in 2017 compared to a gain of \$53,031 in 2016. Interest and dividend income from the fixed income portfolio was \$23,731. Realized and unrealized gains were \$4,979 in 2017 compared to \$30,915 in 2016. The decrease was due to rising interest rates.

Restricted investments from UCHHealth Foundations generated gains of \$3,868 and \$392 in 2017 and 2016, respectively. Other investment income totaled \$3,047 for fiscal year 2017, and investment expense was \$6,766 for the year.

UCHHealth utilizes interest rate swaps to manage interest rate risk exposure on certain bond series. Interest rate swaps necessarily involve counterparty credit risk, and UCHHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. UCHA is party to two floating-to-fixed payer swap agreements tied to the Series 2013A and 2013C Revenue Bonds. UCHHealth is party to a forward-starting floating-to-fixed rate swap agreement to coincide with a planned refunding of Series 2005 bonds in September 2018 and is also party to a total return fixed-to-floating swap agreement tied to the Series 2017A Revenue Bonds. These agreements are used to create synthetic fixed rate bonds by converting the variable rates on those series to a fixed rate, reducing interest rate risk, or reducing the overall cost of capital. Therefore, cash flows on these agreements are recorded as interest expense. These agreements are discussed in greater detail in Note 7 to the basic financial statements.

Management presents portfolio performance reports to the Finance Committee of the UCHHealth Board of Directors on a quarterly basis. Management meets regularly with UCHHealth's investment advisor to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy. The operating portfolio asset allocation has been modified to increase investment manager diversification and create different allocations to better align investment expectations with future liabilities. Investment expenses consist of fees paid to UCHHealth's investment managers and advisor.

Other Non-Operating Expenses

Other net non-operating expenses were \$39,261 in 2017 due to accruals for unrelated business income taxes due, donations made, and fundraising expenses.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation and impairment, at June 30, 2017 and 2016 are summarized in Table 3 and are discussed below.

Table 3
University of Colorado Health
Capital Assets, Net of Depreciation and Impairment

	2017	2016
Land	\$ 120,770	\$ 108,863
Buildings and Improvements	1,299,708	1,241,110
Equipment	313,347	313,008
Construction in progress	<u>260,848</u>	<u>142,225</u>
Total	<u>\$ 1,994,673</u>	<u>\$ 1,805,206</u>

UCHealth had \$1,994,673 invested in property, plant, and equipment, net of accumulated depreciation and impairment, at June 30, 2017 compared to \$1,805,206 in 2016. This year's additions to capital assets in excess of \$10,000 included the following:

PVHS new patient wing	\$ 45,103
Memorial Hospital Central renovation	\$ 13,290
Longs Peak Hospital	\$ 115,138
Highlands Ranch Hospital	\$ 20,673

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. UCHealth's annual capital budget, exclusive of the larger strategic projects, was \$71,331 in 2017 and \$80,748 in 2016. Cash flows related to capital expenditures totaled \$367,913 in 2017, compared to \$295,231 in 2016. Total depreciation expense on capital assets during 2017 was \$174,277, compared to \$170,792 in 2016. At June 30, 2017, the Health System had planned future capital spending of approximately \$705,497 for ongoing significant strategic IT and facility expansion projects.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis
Years Ended June 30, 2017 and 2016
(\$s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt

Long-term debt is summarized and discussed below.

Table 4
University of Colorado Health
Outstanding Long-Term Debt, Less Current Portion, at Year-End

		2017	2016
Combined	Capital leases	\$ 22,726	\$ 25,106
MHS	City of Colorado Springs lease agreement	98,563	101,111
Combined	Loan payable	3,853	4,032
PVHS	2005A Revenue Bonds	49,920	49,914
PVHS	2005B Revenue Bonds	82,837	82,828
PVHS	2005C Revenue Bonds	81,467	81,443
UCHA	2009A Revenue Bonds	39,610	42,135
UCHA	2011B Revenue Bonds	98,515	99,500
UCHA	2011C Revenue Bonds	44,705	50,915
UCHA	2012A Revenue Bonds	261,617	269,871
UCHA	2012B Revenue Bonds	50,000	50,000
UCHA	2012C Revenue Bonds	87,510	87,510
UCHA	2013A Revenue Bonds	88,720	90,695
UCHA	2013B Revenue Bonds	10,140	11,135
UCHA	2013C Revenue Bonds	63,825	65,305
UCHA	2015A Revenue Bonds	-	151,330
UCHA	2015B Revenue Bonds	-	57,405
UCHA	2015C Revenue Bonds	-	56,850
UCHA	2015D Revenue Bonds	199,100	199,100
UCHA	2017A Revenue Bonds	152,075	-
UCHA	2017B-1 Revenue Bonds	57,685	-
UCHA	2017B-2 Revenue Bonds	57,125	-
UCHA	2017C Revenue Bonds	299,081	-
	Less current portion	(29,653)	(27,822)
	Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
		<u>\$ 1,710,711</u>	<u>\$ 1,282,778</u>

As of June 30, 2017, UCHHealth had \$1,710,711 in long-term debt, net of current portion, compared to \$1,282,778 at June 30, 2016. In fiscal year 2017, UCHA issued:

- Series 2017A to fully refund the UCHA Series 2015A Revenue Bonds.

UNIVERSITY OF COLORADO HEALTH

Management's Discussion and Analysis Years Ended June 30, 2017 and 2016 (\$s in thousands)

Capital Assets and Debt Administration (continued)

Long-Term Debt (continued)

- Series 2017B-1 and 2017B-2 Revenue Bonds to fully refund UCHA series 2015B and 2015C Revenue Bonds. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.
- Series 2017C-1 and Series 2017C-2 Revenue Bonds as a new money issuance to finance capital expenditures for UCHealth.

UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. For more information about the Health System's outstanding debt, please see Note 12 of the basic financial statements.

The maximum annual debt service coverage ratio was 7.63 and 8.55 at June 30, 2017 and 2016, respectively, and bond covenants require a debt service coverage ratio greater than 1.5. The indebtedness ratio was 33.6% and 35.3% at June 30, 2017 and 2016, respectively, and bond covenants require an indebtedness ratio of less than 65.0%.

Economic Factors and Next Year's Activities, Budgets, and Rates

Demand for services at UCHealth facilities is anticipated to grow in the upcoming year. Growth at the Anschutz Medical Campus is expected to produce high occupancy rates in fiscal year 2018. Medical Center of the Rockies' growth is expected to continue to be strong. Poudre Valley Hospital and Memorial Hospitals are budgeted to have growth in the upcoming year. Additionally, UCHealth will open the new Longs Peak Hospital, and Yampa Valley Medical Center is anticipated to join the system in fiscal Year 2018.

UCHealth expects to maintain a stable payor mix. Continued growth in high-deductible benefit plans is anticipated, creating higher out-of-pocket costs for patients and a greater burden on UCHealth in managing receivables. UCHealth expects to remain in-network with all major payors in 2018.

The 2017-2018 budget, as approved by UCHealth's Board of Directors, projects operating revenue at \$4,013,091 and an operating margin of 9.5%. EBITDA is budgeted at \$631,539, with an EBITDA margin of 15.7% and an increase in net position of \$450,957.

Requests for Information

This financial report is designed to provide a general overview of UCHealth's financial results for all those with an interest in the organization's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the UCHealth Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

UCHA, a component unit of UCHealth, issues a separate financial report. That report may be obtained by writing to UCHA Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
University of Colorado Health
Denver, Colorado

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund information of University of Colorado Health (the "Health System") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Health System's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund information of University of Colorado Health, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1-12 and pension information on pages 76-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health System's basic financial statements. The combining financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

EKS+H LLLP

EKS&H LLLP

September 26, 2017
Denver, Colorado

UNIVERSITY OF COLORADO HEALTH

Balance Sheets June 30, 2017 and 2016 (\$s in thousands)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 324,041	\$ 93,142
Patient accounts receivable, less allowances for uncollectible accounts of \$307,838 and \$304,162, respectively	412,017	346,955
Other receivables	26,402	19,052
Inventories	66,371	61,458
Prepaid expenses	50,296	46,259
Investments designated for liquidity support	108,710	265,585
Total current assets	<u>987,837</u>	<u>832,451</u>
Non-current assets		
Restricted investments, bonds	145,365	57,818
Restricted investments, other	1,531	373
Restricted investments and pledges, donors	43,077	40,202
Capital assets, net of accumulated depreciation	1,994,673	1,805,206
Long-term investments	3,018,297	2,440,807
Other investments	100,935	65,567
Long-term prepaid expenses	8,898	9,367
Other assets	24,402	25,874
Total non-current assets	<u>5,337,178</u>	<u>4,445,214</u>
Total assets	<u>6,325,015</u>	<u>5,277,665</u>
Deferred Outflows of Resources		
Deferred amortization on refundings	6,419	6,873
Deferred amortization related to pension plan	32,297	72,361
Deferred amortization on acquisitions	14,912	2,930
Total deferred outflows of resources	<u>53,628</u>	<u>82,164</u>
Total assets and deferred outflows of resources	<u>\$ 6,378,643</u>	<u>\$ 5,359,829</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Balance Sheets June 30, 2017 and 2016 (\$s in thousands)

	2017	2016
Liabilities		
Current liabilities		
Current portion of long-term debt	\$ 29,653	\$ 27,822
Accounts payable and accrued expenses	320,479	287,430
Accounts payable - construction	41,357	35,994
Accrued compensated absences	72,704	65,679
Accrued interest payable	10,199	7,025
Fair value of derivative instruments	3,368	4,256
Estimated third-party settlements, net	214,709	222,908
Long-term debt subject to short-term remarketing arrangements	108,710	265,585
Total current liabilities	<u>801,179</u>	<u>916,699</u>
Long-term liabilities		
Long-term debt, less current portion	1,710,711	1,282,778
Fair value of derivative instruments, less current portion	27,373	38,530
Net pension liability	115,667	151,184
Other long-term liabilities	10,346	9,609
Total liabilities	<u>2,665,276</u>	<u>2,398,800</u>
Deferred Inflows of Resources		
Deferred amortization related to pension plan	5,817	4,409
Total deferred inflows of resources	<u>5,817</u>	<u>4,409</u>
Total liabilities and deferred inflows of resources	<u>2,671,093</u>	<u>2,403,209</u>
Net Position		
Invested in capital assets, net of related debt	114,671	202,767
Restricted		
Expendable		
Held by trustee for debt service	145,365	57,818
Restricted by donors	16,452	17,453
Non-expendable		
Permanent endowments	27,989	27,245
Minority interest in component unit	24,706	18,682
Unrestricted	<u>3,378,367</u>	<u>2,632,655</u>
Total net position	<u>3,707,550</u>	<u>2,956,620</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,378,643</u>	<u>\$ 5,359,829</u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

(\$s in thousands)

	2017	2016
Operating revenue		
Net patient service revenue, net of provision for bad debts of \$146,948 and \$127,098, respectively	\$ 3,600,309	\$ 3,225,235
Other operating revenue	67,967	66,527
Total operating revenue	<u>3,668,276</u>	<u>3,291,762</u>
Operating expenses		
Wages, contract labor, and benefits	1,514,706	1,387,919
Supplies	762,071	662,072
Purchased services and other expenses	723,000	605,772
Depreciation and amortization	174,277	170,792
Total operating expenses	<u>3,174,054</u>	<u>2,826,555</u>
Operating income	<u>494,222</u>	<u>465,207</u>
Non-operating revenue and expenses		
Interest expense	(50,855)	(46,209)
Investment income	335,110	34,536
Unrealized gain (loss) on derivative instruments	12,045	(12,040)
Gain on disposal of capital assets	327	290
Other, net	(39,261)	(42,927)
Total non-operating revenue and expenses	<u>257,366</u>	<u>(66,350)</u>
Income before distributions and contributions	751,588	398,857
Net distributions to and contributions from minority interest in component unit	(4,684)	(5,881)
Contributions restricted for capital assets	10	6
Contributions restricted, other	<u>4,016</u>	<u>6,401</u>
Change in net position	750,930	399,383
Total net position, beginning of year	<u>2,956,620</u>	<u>2,557,237</u>
Total net position, end of year	<u><u>\$ 3,707,550</u></u>	<u><u>\$ 2,956,620</u></u>

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows Years Ended June 30, 2017 and 2016 (\$s in thousands)

	2017	2016
Cash flows from operating activities		
Cash received from patients and third-party payors	\$ 3,516,665	\$ 3,277,776
Cash payments to suppliers for goods and services	(1,526,016)	(1,363,171)
Cash payments to employees/other on behalf of employees	(1,421,767)	(1,278,187)
Other cash payments	(43,056)	(48,384)
Other cash received	54,095	49,279
Net cash provided by operating activities	<u>579,921</u>	<u>637,313</u>
Cash flows from capital and related financing activities		
Proceeds from long-term debt	302,678	-
Principal payments under capital lease obligations	(6,212)	(6,593)
Principal repayments of long-term debt	(21,729)	(20,581)
Payments of interest and issuance costs on long-term debt	(52,833)	(47,299)
Capital expenditures	(367,913)	(295,231)
Receipt of contributions	4,134	16,067
Distributions to minority interest in component unit	(4,684)	(5,881)
Proceeds from sale of capital assets	2,104	1,725
Net cash used in capital and related financing activities	<u>(144,455)</u>	<u>(357,793)</u>
Cash flows from investing activities		
Investment income	61,694	40,827
Distributions from joint ventures	12,335	10,446
Proceeds from sale and maturities of investments	1,894,084	2,182,099
Purchases of investments	(2,172,680)	(2,639,922)
Net cash used in investing activities	<u>(204,567)</u>	<u>(406,550)</u>
Net increase (decrease) in cash and cash equivalents	230,899	(127,030)
Cash and cash equivalents, beginning of year	<u>93,142</u>	<u>220,172</u>
Cash and cash equivalents, end of year	<u>\$ 324,041</u>	<u>\$ 93,142</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 494,222	\$ 465,207
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	174,277	170,792
Provision for bad debts	146,948	127,098
Increase in patient accounts receivable	(212,010)	(135,343)
Increase (decrease) in estimated third-party settlements	(8,199)	64,812
Increase in other receivables	(7,350)	(719)
Increase in inventories	(4,913)	(8,108)
Change in net pension liability and pension-related deferred inflows and outflows of resources	5,955	10,765
Increase in prepaid expenses	(4,037)	(8,150)
Decrease (increase) in other assets	1,472	(2,318)
Increase in accounts payable and accrued expenses	33,049	4,491
Increase in accrued compensated absences and other long-term liabilities	7,762	5,924
Equity income from joint ventures	(7,994)	(14,211)
Other cash payments	(39,261)	(42,927)
Total adjustments	<u>85,699</u>	<u>172,106</u>
Net cash provided by operating activities	<u>\$ 579,921</u>	<u>\$ 637,313</u>

(Continued on the following page)

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

(\$s in thousands)

(Continued from the previous page)

	2017	2016
Non-cash transactions		
Donated pharmaceuticals	\$ 10,383	\$ 4,026
Construction in progress accrued	\$ 41,357	\$ 35,994
Unrealized gain (loss)	\$ 270,119	\$ (64,603)
Capital leases and mortgages executed	\$ 1,284	\$ -
Refunding of debt	\$ 265,585	\$ 200,180

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Statements of Fiduciary Net Position

June 30, 2017 and 2016

(\$s in thousands)

	2017	2016
Assets		
Investments	\$ 710,102	\$ 578,346
Net Assets		
Restricted for pension benefits	\$ 710,102	\$ 578,346

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2017 and 2016

(\$s in thousands)

	2017	2016
Additions		
Contributions	\$ 74,356	\$ 68,000
Investment income		
(Decrease) increase in fair value of investments	63,898	(16,941)
Interest	1,233	970
Dividends and other	13,479	15,495
Investment (loss) income	78,610	(476)
Total additions	152,966	67,524
Deductions		
Benefits	19,464	14,047
Administrative expenses	1,746	1,464
Total deductions	21,210	15,511
Change in net position	131,756	52,013
Net position, beginning of year	578,346	526,333
Net position, end of year	\$ 710,102	\$ 578,346

See accompanying notes to the basic financial statements.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(1) Organization and Mission

Effective July 1, 2012, University of Colorado Health (“UCHealth” or the “Health System”), a newly formed non-profit corporation, entered into a joint operating agreement with the University of Colorado Hospital Authority and Poudre Valley Health Care Inc. (collectively, the “members”), resulting in a joint venture among the members. The Health System’s mission is “to improve lives in big ways through learning, healing and discovery; in small, personal ways through human connection; but in all ways, we improve lives.” The joint venture enhances the capacity of the members to protect, sustain, and expand their respective missions. As a joint venture, all future operations of the members are combined, and together these combined operations will be the basis for possible future expansion and diversification of the Health System. Under the joint operating agreement, the members of the joint venture become members of the obligated group under each other’s master trust indenture and, thereby, pledge their gross revenues to secure each member’s obligations. UCHealth is financially accountable for the University of Colorado Hospital Authority, Poudre Valley Health Care Inc., and the Memorial Health System, which are reported as blended component units of the Health System. The Health System’s component units are as follows:

- **University of Colorado Hospital Authority (“UCHA”)** was created pursuant to Section 23-21-503 of the Colorado Revised Statutes and is a political subdivision and body corporate of the State of Colorado. UCHA owns and operates a 673-licensed-bed, non-sectarian, general acute care hospital; the Anschutz Centers for Advanced Medicine, which include the Anschutz Outpatient Pavilion, the Anschutz Inpatient Pavilion 1, the Anschutz Inpatient Pavilion 2, the Anschutz Cancer Pavilion, the Center for Dependency, Addiction and Rehabilitation (“CeDAR”), and the Rocky Mountain Lions Eye Institute; six outlying outpatient primary care clinics; twelve outlying specialty clinics; and the University of Colorado Hospital Foundation. These combined entities are collectively known as UCHA. UCHA is the primary teaching hospital for the University of Colorado Denver (“UCD”), which is comprised of the Schools of Medicine, Nursing, Pharmacy, and Dentistry; the Graduate School; and the School of Public Health. UCHA issues a separate financial report. That report may be obtained by writing to UCHA, Chief Financial Officer, Mail Stop F-417, P.O. Box 6510, Aurora, Colorado 80045.
 - The **University of Colorado Hospital Foundation (the “UCHA Foundation”)** is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code (the “Code”). The UCHA Foundation serves as the primary fundraising arm for UCHA and manages restricted and unrestricted donations received for future use by UCHA. Although UCHA does not control the timing or amount of receipts from the UCHA Foundation, the majority of the resources, or income thereon, is restricted to the activities of UCHA by the donors. Because these restricted resources held by the UCHA Foundation can only be used by or for the benefit of UCHA and because the UCHA Foundation exists for the sole benefit of UCHA, the UCHA Foundation is considered a blended component unit of UCHA. All inter-entity transactions have been eliminated in the basic financial statements.
- **Poudre Valley Health Care Inc. (“PVHS”)** is a tax-exempt organization under Section 501(c)(3) of the Code. PVHS operates two hospital facilities as follows, which are considered blended component units of PVHS, because their activities are significantly intertwined with PVHS:
 - **Poudre Valley Hospital (“PVH”)**, a 234-licensed-bed, non-sectarian, general acute care hospital, which includes Mountain Crest Behavioral Health Services, a behavioral health facility in Fort Collins, Colorado.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(1) Organization and Mission (continued)

- **Medical Center of the Rockies (“MCR”)**, a 174-licensed-bed, non-sectarian, general acute care hospital. MCR is a tax-exempt organization under Section 501(c)(3) of the Code.
- **Poudre Valley Health System Foundation (the “PVHS Foundation”)** is a non-profit corporation that was formed to receive, invest, and distribute funds primarily for the benefit of PVH, MCR, and affiliated organizations.
- PVHS is also the sole member of Lakota Lake, LLC; PVHS/Timberline, LLC; United Medical Alliance, which was dissolved in February 2016; Heron Lake, LLC; and Innovation Enterprises, LLC. Each of these entities is considered a blended component unit of PVHS, because their activities are significantly intertwined with PVHS.
- **UCHealth Medical Group (North)** is a physician group and is considered a blended component unit of PVHS, because its activities are significantly intertwined with PVHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
- **Memorial Health System (“MHS”)** – Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs was executed with the purpose of leasing MHS. UCHA created the UCH-MHS entity to assume operations of MHS upon receipt of confirmation of exempt status from the IRS, which occurred on August 1, 2014. The original lease is for a 40-year term, with renewals or extensions anticipated. UCHA guarantees MHS’s obligations under the lease, and the gross revenues of MHS are pledged to secure the obligations under each member’s master trust indenture. Therefore, MHS is considered a blended component unit of the Health System. The operations of MHS are as follows:
 - **Memorial Hospital Central**, a 583-licensed-bed, non-sectarian, general acute care hospital.
 - **Memorial Hospital North**, an 88-licensed-bed, non-sectarian, general acute care hospital.
 - **UCHealth Medical Group (South)** is a physician group and is considered a blended component unit of MHS, because its activities are significantly intertwined with MHS. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **Memorial Hospital Corporation** is a non-profit corporation that is controlled by MHS and considered a blended component unit of MHS.
- UCHealth is the sole member of **UCHealth Plan Administrators, LLC (“UCHPA”)**, a third-party administrator delivering a comprehensive services suite to partially self-funded benefit plan arrangements to employers. UCHPA is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.
- UCHealth is the 75% member of **ICHealth, LLC (“ICHealth”)**, a partnership organized in 2017 to qualify and operate as an accountable care organization participating in the Medicare Shared Savings Program, support improvements in high-quality care through population management techniques, and contain the total costs of care. ICHealth is considered a blended component unit of UCHealth, because its activities are significantly intertwined with UCHealth.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(1) Organization and Mission (continued)

- **Community Division (“CD”)** is made up of the following operations, which are considered blended component units of UCHealth because their activities are significantly intertwined with UCHealth:
 - **Longs Peak Hospital (“LPH”)**, which is currently under construction, will be a non-sectarian, general acute care hospital. LPH is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **Highlands Ranch Hospital (“HRH”)**, which is currently under construction, will be a non-sectarian, general acute care hospital.
 - **Longs Peak Surgery Center LLC** is an ambulatory surgery center that began operations in 2016.
 - **UCHealth Medical Group (Longmont)** is a physician group that joined the Health System effective January 1, 2015. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Medical Group (Metro Denver)** is a physician group made up of newly acquired and opened physician practices in the Metro Denver area. UCHealth Medical Group is a tax-exempt organization under Section 501(c)(3) of the Code.
 - **UCHealth Community Services** was formed in 2017 as a Colorado non-profit corporation to operate outpatient healthcare facilities, such as multi-specialty clinics, physical therapy clinics, and imaging facilities.
 - **UCHealth Emergency Physician Services** was formed in 2017 as a Colorado limited liability company to provide emergency physician services and the services of other healthcare staff to emergency departments.

Memorial Health System Foundation (the “MHS Foundation”) is a not-for-profit organization formed for the benefit of MHS. Fundraising efforts for the benefit of MHS are undertaken by the MHS Foundation. However, the assets held by the Foundation remained assets of the MHS Foundation and were not transferred to MHS under either the Integration and Affiliation Agreement or the Health System Operating Lease Agreement. Therefore, the MHS Foundation is not reported as a component unit of MHS.

The accompanying basic financial statements reflect the operations and financial position of the Health System, its component units, and its fiduciary (pension trust) fund. The Health System is not an agency of the state government and is not subject to administrative direction or control by the Regents of the University of Colorado (the “Regents”) or any department, commission, board, or agency of the state. The Health System is not financially accountable to the Regents. Two of the eleven members of the Health System’s Board of Directors (the “Board”) are appointed by the President of the University of Colorado.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(2) Condensed Combining Information

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of each major blended component unit at June 30, 2017 and 2016 are summarized in Tables 1 and 2, respectively.

Table 1
Condensed Combining Information
Balance Sheet as of June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 160,588	\$ 111,110	\$ 8,630	\$ (280,328)	\$ -
Other current assets	541,979	276,938	126,532	42,388	987,837
Capital assets, net of accumulated depreciation	864,952	439,871	334,319	355,531	1,994,673
Non-current receivables from affiliates	770,503	-	-	(770,503)	-
Non-current assets and other assets	1,739,307	1,304,986	127,773	170,439	3,342,505
Total assets	4,077,329	2,132,905	597,254	(482,473)	6,325,015
Deferred outflows of resources	22,596	7,907	13,416	9,709	53,628
Total assets and deferred outflows of resources	<u>\$ 4,099,925</u>	<u>\$ 2,140,812</u>	<u>\$ 610,670</u>	<u>\$ (472,764)</u>	<u>\$ 6,378,643</u>
Liabilities					
Current payables to affiliates	\$ -	\$ 6,691	\$ 4,456	\$ (11,147)	\$ -
Other current liabilities	405,827	146,258	134,386	114,708	801,179
Non-current payables to affiliates	-	201,967	329,272	(531,239)	-
Other long-term liabilities	1,496,522	249,075	105,538	12,962	1,864,097
Total liabilities	1,902,349	603,991	573,652	(414,716)	2,665,276
Deferred inflows of resources	4,719	(742)	2,690	(850)	5,817
Net position					
Invested in capital assets, net of related debt	130,563	2,859	(99,556)	80,805	114,671
Restricted					
Expendable	21,907	36,283	9,764	93,863	161,817
Non-expendable	21,534	29,184	-	1,977	52,695
Unrestricted	2,018,853	1,469,237	124,120	(233,843)	3,378,367
Net position	2,192,857	1,537,563	34,328	(57,198)	3,707,550
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,099,925</u>	<u>\$ 2,140,812</u>	<u>\$ 610,670</u>	<u>\$ (472,764)</u>	<u>\$ 6,378,643</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(2) Condensed Combining Information (continued)

Table 2
Condensed Combining Information
Balance Sheet as of June 30, 2016

	UCHA	PVHS	MHS	Other Operations Eliminations	Combined
Assets					
Current receivables from affiliates	\$ 98,923	\$ 60,815	\$ 3,883	\$ (163,621)	\$ -
Other current assets	525,811	176,994	103,325	26,321	832,451
Capital assets, net of accumulated depreciation	886,823	436,416	318,196	163,771	1,805,206
Non-current receivables from affiliates	518,850	-	-	(518,850)	-
Non-current assets and other assets	<u>1,354,460</u>	<u>1,148,017</u>	<u>97,777</u>	<u>39,754</u>	<u>2,640,008</u>
Total assets	<u>3,384,867</u>	<u>1,822,242</u>	<u>523,181</u>	<u>(452,625)</u>	<u>5,277,665</u>
Deferred outflows of resources	<u>36,877</u>	<u>21,451</u>	<u>14,009</u>	<u>9,827</u>	<u>82,164</u>
Total assets and deferred outflows of resources	<u>\$ 3,421,744</u>	<u>\$ 1,843,693</u>	<u>\$ 537,190</u>	<u>\$ (442,798)</u>	<u>\$ 5,359,829</u>
Liabilities					
Current payables to affiliates	\$ 118	\$ 109	\$ 8,897	\$ (9,124)	\$ -
Other current liabilities	566,209	137,433	118,399	94,658	916,699
Non-current payables to affiliates	-	215,485	303,365	(518,850)	-
Other long-term liabilities	<u>1,091,806</u>	<u>261,505</u>	<u>114,902</u>	<u>13,888</u>	<u>1,482,101</u>
Total liabilities	<u>1,658,133</u>	<u>614,532</u>	<u>545,563</u>	<u>(419,428)</u>	<u>2,398,800</u>
Deferred inflows of resources	<u>3,451</u>	<u>397</u>	<u>1,000</u>	<u>(439)</u>	<u>4,409</u>
Total deferred inflows of resources	<u>3,451</u>	<u>397</u>	<u>1,000</u>	<u>(439)</u>	<u>4,409</u>
Net position					
Invested in capital assets, net of related debt	179,161	(19,169)	(95,237)	138,012	202,767
Restricted					
Expendable	16,419	46,647	12,205	-	75,271
Non-expendable	20,867	25,060	-	-	45,927
Unrestricted	<u>1,543,713</u>	<u>1,176,226</u>	<u>73,659</u>	<u>(160,943)</u>	<u>2,632,655</u>
Net position	<u>1,760,160</u>	<u>1,228,764</u>	<u>(9,373)</u>	<u>(22,931)</u>	<u>2,956,620</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,421,744</u>	<u>\$ 1,843,693</u>	<u>\$ 537,190</u>	<u>\$ (442,798)</u>	<u>\$ 5,359,829</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(2) Condensed Combining Information (continued)

Revenue, expenses, and changes in net position are summarized in Tables 3 and 4 for fiscal years 2017 and 2016, respectively.

Table 3
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	\$ 1,623,588	\$ 1,157,168	\$ 781,425	\$ 38,128	\$ 3,600,309
Other operating revenue	22,450	30,771	17,032	(2,286)	67,967
Total operating revenue	<u>1,646,038</u>	<u>1,187,939</u>	<u>798,457</u>	<u>35,842</u>	<u>3,668,276</u>
Operating expenses					
Wages and benefits	556,330	525,865	385,817	46,694	1,514,706
Supplies	385,469	221,244	148,876	6,482	762,071
Purchased services and other expenses	371,410	173,026	166,019	12,545	723,000
Depreciation and amortization	77,917	54,498	38,303	3,559	174,277
Total operating expenses	<u>1,391,126</u>	<u>974,633</u>	<u>739,015</u>	<u>69,280</u>	<u>3,174,054</u>
Operating income (loss)	<u>254,912</u>	<u>213,306</u>	<u>59,442</u>	<u>(33,438)</u>	<u>494,222</u>
Non-operating revenue and expenses					
Interest expense	(35,420)	(15,887)	(15,431)	15,883	(50,855)
Investment income	211,681	131,997	10,295	(18,863)	335,110
Unrealized loss on derivative instrument	14,413	(3,237)	869	-	12,045
Other, net	<u>(14,436)</u>	<u>(12,389)</u>	<u>(11,747)</u>	<u>(362)</u>	<u>(38,934)</u>
Total non-operating revenue and expenses	<u>176,238</u>	<u>100,484</u>	<u>(16,014)</u>	<u>(3,342)</u>	<u>257,366</u>
Income before distributions and contributions	431,150	313,790	43,428	(36,780)	751,588
(Distributions to) contributions from minority interest in component unit	-	(7,184)	-	2,500	(4,684)
Contributions restricted for capital assets	10	-	-	-	10
Contributions restricted, other	<u>1,537</u>	<u>2,193</u>	<u>273</u>	<u>13</u>	<u>4,016</u>
Change in net position	432,697	308,799	43,701	(34,267)	750,930
Net position, beginning of year	<u>1,760,160</u>	<u>1,228,764</u>	<u>(9,373)</u>	<u>(22,931)</u>	<u>2,956,620</u>
Net position, end of year	<u>\$ 2,192,857</u>	<u>\$ 1,537,563</u>	<u>\$ 34,328</u>	<u>\$ (57,198)</u>	<u>\$ 3,707,550</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(2) Condensed Combining Information (continued)

Table 4
Condensed Combining Information
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Operating revenue					
Net patient service revenue	\$ 1,457,675	\$ 1,044,816	\$ 693,797	\$ 28,947	\$ 3,225,235
Other operating revenue	23,825	26,997	12,270	3,435	66,527
Total operating revenue	<u>1,481,500</u>	<u>1,071,813</u>	<u>706,067</u>	<u>32,382</u>	<u>3,291,762</u>
Operating expenses					
Wages and benefits	530,636	486,926	337,096	33,261	1,387,919
Supplies	341,492	183,004	132,469	5,107	662,072
Purchased services and other expenses	294,124	157,546	146,718	7,384	605,772
Depreciation and amortization	71,105	57,327	40,007	2,353	170,792
Total operating expenses	<u>1,237,357</u>	<u>884,803</u>	<u>656,290</u>	<u>48,105</u>	<u>2,826,555</u>
Operating income (loss)	<u>244,143</u>	<u>187,010</u>	<u>49,777</u>	<u>(15,723)</u>	<u>465,207</u>
Non-operating revenue and expenses					
Interest expense	(28,990)	(15,128)	(14,484)	12,393	(46,209)
Investment income	30,764	13,717	2,559	(12,504)	34,536
Unrealized loss on derivative instrument	(12,040)	-	-	-	(12,040)
Other, net	(16,873)	(13,022)	(12,742)	-	(42,637)
Total non-operating revenue and expenses	<u>(27,139)</u>	<u>(14,433)</u>	<u>(24,667)</u>	<u>(111)</u>	<u>(66,350)</u>
Income before distributions and contributions	217,004	172,577	25,110	(15,834)	398,857
Distributions to minority interest in component unit	-	(5,881)	-	-	(5,881)
Contributions restricted for capital assets	-	6	-	-	6
Contributions restricted, other	<u>4,456</u>	<u>1,376</u>	<u>571</u>	<u>(2)</u>	<u>6,401</u>
Change in net position	221,460	168,078	25,681	(15,836)	399,383
Net position, beginning of year	<u>1,538,700</u>	<u>1,060,686</u>	<u>(35,054)</u>	<u>(7,095)</u>	<u>2,557,237</u>
Net position, end of year	<u>\$ 1,760,160</u>	<u>\$ 1,228,764</u>	<u>\$ (9,373)</u>	<u>\$ (22,931)</u>	<u>\$ 2,956,620</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(2) Condensed Combining Information (continued)

Cash flows are summarized in Tables 5 and 6 for fiscal years 2017 and 2016, respectively.

Table 5
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2017

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 199,827	\$ 197,117	\$ 78,190	\$ 104,787	\$ 579,921
Capital and related financing activities	(50,534)	(92,308)	(50,911)	49,298	(144,455)
Investing activities	(16,188)	(16,110)	(18,507)	(153,762)	(204,567)
Net increase in cash and cash equivalents	133,105	88,699	8,772	323	230,899
Cash and cash equivalents, beginning of year	43,728	39,058	4,359	5,997	93,142
Cash and cash equivalents, end of year	<u>\$ 176,833</u>	<u>\$ 127,757</u>	<u>\$ 13,131</u>	<u>\$ 6,320</u>	<u>\$ 324,041</u>

Table 6
Condensed Combining Information
Statement of Cash Flows
Year Ended June 30, 2016

	UCHA	PVHS	MHS	Other Operations and Eliminations	Combined
Net cash provided by (used in)					
Operating activities	\$ 244,896	\$ 189,867	\$ 76,892	\$ 125,658	\$ 637,313
Capital and related financing activities	(87,572)	(108,344)	(70,357)	(91,520)	(357,793)
Investing activities	(237,205)	(131,265)	(7,577)	(30,503)	(406,550)
Net (decrease) increase in cash and cash equivalents	(79,881)	(49,742)	(1,042)	3,635	(127,030)
Cash and cash equivalents, beginning of year	123,609	88,800	5,401	2,362	220,172
Cash and cash equivalents, end of year	<u>\$ 43,728</u>	<u>\$ 39,058</u>	<u>\$ 4,359</u>	<u>\$ 5,997</u>	<u>\$ 93,142</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying basic financial statements have been prepared on the accrual basis of accounting and economic resource measurement focus in accordance with accounting principles generally accepted in the United States of America.

The accounts of the Health System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenue and expenses, as appropriate.

The enterprise fund is used to account for the Health System's ongoing activities. The balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows do not include the pension trust fund.

The pension trust fund is used to account for assets held in trust for the benefit of the employees of the Health System (all of whom are actually employed by UCHA) for the non-contributory defined benefit pension plan (the "Basic Pension Plan"). In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the assets and net position of the pension trust fund are presented separately from the enterprise fund. The basic financial statements of the pension trust fund are prepared using the accrual basis of accounting. Employer contributions to the Basic Pension Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Basic Pension Plan.

(b) *Use of Estimates in Preparation of Financial Statements*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

(c) *Net Position*

The Health System's net position is classified as follows:

- *Invested in capital assets, net of related debt* – consists of capital assets net of accumulated depreciation reduced by the amount of outstanding debt issued to finance the purchase or construction of those assets.
- *Restricted* – consists of net position with constraints on its use imposed by external parties, such as creditors (through debt covenants) and donors. The non-expendable portion includes net position required through agreement with donors to be retained in perpetuity as well as the minority interest's ownership percentage in MCR.
- *Unrestricted* – consists of the remaining net position that is available for unrestricted use.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(c) Net Position (continued)

When the Health System has both restricted and unrestricted resources available to finance a particular program, it is the Health System's practice to use restricted resources before unrestricted resources.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with initial maturities of three months or less, excluding amounts restricted under trust agreements.

(e) Investments and Restricted Investments

Investments include assets designated by the Board for future capital improvements and undesignated investments. Restricted investments include assets held by trustees under bond indenture and insurance agreements.

The Health System records all debt and equity investment securities at fair value. Short-term investments are reported at cost, which approximates fair value. Fair values are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Interest, dividends, and realized and unrealized gains and losses, based on the specific identification method, are included in non-operating revenue and expenses when earned.

The Health System's Basic Pension Plan holds assets that include alternative investments, which are not readily marketable and are carried at fair value as provided by the investment managers. The UCHA Board of Directors (the "UCHA Board") is the fiduciary of the plan, and the Health System reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(f) Inventories

Inventories, which consist primarily of pharmaceuticals and medical supplies, are valued under a combination of the lower of cost (first in, first out) or market and a weighted average.

(g) Capital Assets

Capital assets are recorded at cost or, if donated, at acquisition value at the date of receipt. Interest incurred, net of interest earned on related funds held by a trustee under bond agreements, in connection with borrowings to finance major construction or expansion of facilities, is capitalized until the related assets are put into service and subsequently amortized over the lives of the related assets. All capital assets are depreciated or amortized over the estimated useful life of each class of assets using the straight-line method. Useful lives for buildings and improvements are 20-40 years, equipment is 3-15 years, and leasehold improvements are 3-20 years.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(g) Capital Assets (continued)

The Health System's long-lived assets consist primarily of buildings and building improvements, equipment, and leasehold improvements, which are subject to the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

(h) Deferred Amortization on Refundings

For bond refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and amortized using the effective interest rate method over the shorter of the life of the old debt or the life of the new debt.

(i) Deferred Amortization on Acquisitions

The Health System recognizes a deferred outflow of resources when the consideration provided in a government acquisition exceeds the net position acquired. This deferred amortization on acquisition is amortized to future periods in a systematic and rational manner, considering the relevant circumstances of the acquisition.

(j) Compensated Absences

All staff working at UCHealth facilities or working in UCHealth system operations are employees of UCHA. UCHA employees use paid time off ("PTO") for vacation, holidays, personal short-term illness, family member illness, and personal absences. Health System employees generally earn PTO based on length of service and actual hours worked. The Health System records PTO expense as it is earned. The current portion of PTO is based on employee tenure, rate of pay, and accrued hours. Amounts in excess of an employee's annual accrual are classified as long-term liabilities.

(k) Financial Instruments

Financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, restricted investments, long-term investments, interest rate swap agreements, current liabilities, and long-term debt obligations. The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, and current liabilities approximate fair value. Management's estimate of the fair value of the other financial instruments is described in Notes 6, 7, and 12 to the basic financial statements.

The Health System utilizes interest rate swaps to cover exposure to changes in interest rates. The fair value of these derivative instruments is required to be recognized as either an asset or liability on the balance sheets. Changes in fair values of derivative instruments that are determined to be ineffective hedges, as is the case of the Health System's interest rate swaps, are reported within non-operating revenue and expenses in the period when the change in fair value occurs.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(l) Endowments

The Health System's endowments consist of individual funds restricted by donors for a variety of purposes. The State of Colorado's Uniform Prudent Management of Institutional Funds Act requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Health System classifies as non-expendable restricted net position the original value of the gifts donated to the permanent endowment. The appreciation on donor-restricted endowment funds is classified as expendable restricted net position until those amounts are appropriated for expenditure by the Health System. The Health System may spend the net appreciation on the endowment funds based on the individual endowment fund agreements and considers factors such as duration and preservation of the fund, purposes of the fund, general economic conditions, possible effects of inflation and deflation, expected total return from investment income, and other resources of the Health System when determining the amounts to authorize and spend in an individual year. The amount of net appreciation on endowments available for expenditure at June 30, 2017 and 2016 was \$2,572 and \$1,969, respectively.

(m) Minority Interest in Component Unit

Included in minority interest in component unit represents the 12% interest in MCR that is not owned by PVHS and the 25% interest in ICHHealth that is not owned by UCHealth. For the years ended June 30, 2017 and 2016, changes in net position attributable to the controlling financial interest of UCHealth and the minority interest are:

June 30, 2017

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	\$ 751,588	\$ 740,880	\$ 10,708
Net distributions to and contributions from minority interest in component unit	(4,684)	-	(4,684)
Contributions restricted for capital assets	10	10	-
Contributions restricted, other	4,016	4,016	-
Change in net position	750,930	744,906	6,024
Net position, beginning of year	2,956,620	2,937,938	18,682
Net position, end of year	<u>\$ 3,707,550</u>	<u>\$ 3,682,844</u>	<u>\$ 24,706</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(m) *Minority Interest in Component Unit (continued)*

June 30, 2016

	Total	Controlling Interest	Minority Interest
Income before distributions and contributions	\$ 398,857	\$ 390,752	\$ 8,105
Distributions to minority interest in component unit	(5,881)	-	(5,881)
Contributions restricted for capital assets	6	6	-
Contributions restricted, other	6,401	6,401	-
Change in net position	399,383	397,159	2,224
Net position, beginning of year	2,557,237	2,540,779	16,458
Net position, end of year	<u>\$ 2,956,620</u>	<u>\$ 2,937,938</u>	<u>\$ 18,682</u>

(n) *Revenue and Expenses*

The Health System's statements of revenue, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services and includes patient service and other revenue. Non-exchange revenue includes investment income and restricted contributions and is reported as non-operating revenue. Operating expenses are all expenses incurred to provide healthcare services. Non-operating expenses include interest expense, fundraising activities, and gain or loss on disposal of capital assets.

(o) *Costs of Shared Services*

The costs of shared services provided by UCHHealth to the individual component units are combined to determine the full costs of shared services. These costs are then reallocated back to the individual component units based on a set of drivers, which are used to estimate the relative usage of such shared services by each component unit.

(p) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Amounts reimbursed for services rendered to patients covered under the Medicare and Medicaid programs are generally less than established billing rates. The Health System also provides services to beneficiaries of certain other third-party payor programs at amounts less than its established rates based on contractual arrangements. Differences between established billing rates and amounts reimbursed are recognized as contractual adjustments.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(q) Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; fiduciary liability; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. UCHA is insured for medical malpractice claims and judgments through the University of Colorado Self-Insurance and Risk Management Trust. PVHS and MHS maintain malpractice insurance through claims-made commercial insurance policies. Insurance coverage for all other lines of insurance, including theft, property damage, occupational and non-occupational injuries and accidents, business interruption, automobile, non-owned aircraft, employee health, dental, errors and omission, and fiduciary, are covered by commercial insurance companies.

(r) Income Taxes

UCHealth has a determination letter from the IRS, which states that it is exempt under Section 501(a) as an organization described in Section 501(c)(3) of the Code. UCHA, PVH, MCR, LPH, UCH-MHS, Memorial Hospital Corporation, the PVHS Foundation, and the UCHA Foundation are also exempt under Section 501(a) as organizations described in Section 501(c)(3) of the Code. UCHA is a political subdivision and body corporate of the State of Colorado and, as such, the income generated by UCHA in the exercise of its essential government function is exempt from federal income tax under Section 115 of the Code. Lakota Lake, LLC; PVHS/Timberline, LLC; Heron Lake, LLC; and United Medical Alliance act as tax flow-through entities to PVHS, which, as noted, is tax-exempt under Section 501(c)(3) of the Code. UCHPA acts as a tax flow-through entity to UCHealth, which, as noted, is tax-exempt under Section 501(a) of the Code. UCHealth Medical Group acts as a tax flow-through entity to PVHS (99%) and UCHealth (1%). During 2017, UCHealth Medical Group was granted tax exempt status under Section 501(c)(3) of the Code. Innovation Enterprises is a corporation subject to state and federal income tax. The Health System recognizes unrelated business income tax for activities that are outside of the Health System's tax-exempt mission. The Health System has recognized a tax liability of \$2,325 and \$2,452 at June 30, 2017 and 2016, respectively, for unrelated business income taxes.

(s) Pension Plans

The Health System accounts for its pension plan under GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports of defined benefit pension plans, and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan, about which information is required to be presented. GASB Statement No. 68 revises and establishes new financial reporting requirements for most governmental entities that provide their employees with pension benefits.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Basic Pension Plan and additions to/deductions from the Basic Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Basic Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(3) Summary of Significant Accounting Policies (continued)

(i) Reclassifications

Certain 2016 amounts have been reclassified in the accompanying basic financial statements to conform to the 2017 presentation.

(4) Net Patient Service Revenue

The following summary details gross charges and uncompensated care resulting from contractual allowances, bad debts, self-pay discounts, and unsponsored charges for the year ended June 30:

	2017	2016
Gross charges	\$ 12,755,871	\$ 11,056,828
Third-party contractual allowances	(8,928,239)	(7,644,959)
Indigent and charity care	(116,452)	(107,489)
Provision for bad debt	(146,948)	(127,098)
Self-pay packages and other discounts	(134,155)	(111,306)
Reimbursement under the Colorado Provider Fee Program, net of pass-through payments	<u>170,232</u>	<u>159,259</u>
Net patient service revenue	<u>\$ 3,600,309</u>	<u>\$ 3,225,235</u>

The Health System has programs that receive add-on payments to the established rate or that are paid at a reasonable cost by third-party payors. Amounts received for these additional payments from Medicare, Medicaid, and TriCare programs are subject to audit and retroactive adjustment. Generally, provisions for estimated retroactive adjustments under such programs are provided in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue under the Medicare and Medicaid programs was approximately \$1,219,433 and \$1,088,379 in 2017 and 2016, respectively.

(a) Medicare

Inpatient acute care services rendered to Medicare beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a Diagnostic-Related Group patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries are paid based upon the Ambulatory Payment Classification system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare fiscal intermediary. The Health System's classifications of patients under the Medicare program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. PVH's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. MCR's Medicare cost reports have been audited and settled by the Medicare administrative contractor through June 30, 2014. MHS's Medicare cost reports have been audited through June 30, 2014; however, Medicare cost report year 2008 has not yet been settled by the Medicare administrative contractor.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(4) Net Patient Service Revenue (continued)

(b) Medicaid

Inpatient services rendered to Medicaid beneficiaries are reimbursed under a prospectively determined system similar to Medicare. Outpatient services are reimbursed by a combination of fee schedule and a tentative payment rate with final settlement determined after submission of an annual cost report by the Health System and audits thereof by the Medicaid fiscal intermediary. The Health System's classification of patients under the Medicaid program and medical necessity of procedures performed are subject to an independent audit by a peer review organization under contract with the Health System. UCHA's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. PVH's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. MCR's Medicaid cost reports have been audited and settled by the Medicaid fiscal intermediary through June 30, 2013. MHS's Medicaid cost reports have been audited through September 30, 2012; however, the Medicaid cost report year 2008 has not yet been settled by the Medicaid fiscal intermediary.

(c) Other Payors

The Health System has also entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health System under these agreements generally includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

(d) Self-Pay

The Health System maintains a self-pay discount program in which self-pay patients automatically receive a discount on total charges, which differs by facility. This program reduces uninsured patients' liabilities to a level more equivalent to insured patients. Discounts for this program were \$134,155 and \$111,306 in 2017 and 2016, respectively.

(e) Disproportionate Share Health System and Charity Care Policy

In 2010, the State of Colorado modified the CICP Safety Net Provider Program with the Colorado Health Care Affordability Act (the "Act"). The Act authorizes the Department of Health Care Policy and Financing to collect a fee from hospital providers to generate additional federal Medicaid matching funds to increase payments to hospitals and expand coverage under public healthcare programs. For the years ended June 30, 2017 and 2016, the Health System was charged \$129,620 and \$114,349, respectively, in Hospital provider fees and received \$202,105 and \$195,917, respectively, in disproportionate share and Medicaid supplemental revenue as compensation for indigent and underinsured care services provided.

Based on an analysis of the direct and indirect costs specific to the procedures performed, the cost of charity care services provided was \$59,499 and \$53,865 for the years ended June 30, 2017 and 2016, respectively.

(f) Community Benefit

Based on the application of an adjusted cost to charge ratio to the procedures performed, reduced by actual reimbursement received, UCHealth provided \$259,586 and \$223,418 in total benefits to the community for uninsured and underinsured patients in 2017 and 2016, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(5) Restricted and Unrestricted Pledges

The Health System records pledges as restricted or unrestricted receivables based on the donors' specifications and the Health System's satisfaction of the donors' restriction. All long-term receivables are discounted to reflect the net present value of the pledge and amortized over the life of the pledge. Total unrestricted contributions receivable, net of allowances for uncollectible receivables were \$50 at June 30, 2016. Total restricted contributions receivable, net of allowances for uncollectible receivables, are \$1,558 and \$2,015 at June 30, 2017 and 2016, respectively.

The total current portions of unrestricted contributions receivable, net of allowances for uncollectible receivables, were \$50 at June 30, 2016. The total current portions of restricted contributions receivable, net of allowances for uncollectible receivables, are \$495 and \$843, and the long-term portions of restricted contributions receivable, net of allowances for uncollectible receivables, which are reported within restricted investments and pledges, donors, in the accompanying balance sheets, are \$1,064 and \$1,171 at June 30, 2017 and 2016, respectively.

(6) Deposits and Investments

Colorado statutes require that UCHA use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

At June 30, 2017 and 2016, UCHHealth's unrestricted cash deposits had a book balance of \$324,041 and \$93,142, respectively, and a bank balance of \$359,308 and \$123,482, respectively. UCHHealth's receivables and investments restricted by donors included cash deposits that had a book and bank balance of \$43,077 and \$39,031 at June 30, 2017 and 2016, respectively. The difference between the bank balance and the book balance is related to outstanding reconciling items. These balances are held in UCHHealth participating entity names, and all accounts, with the exception of the overnight investments account, are covered by federal depository insurance up to the applicable maximum.

	June 30, 2017		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	\$ 324,041	\$ -	\$ 324,041
Assets limited as to use	-	189,973	189,973
Investments designated for liquidity support	-	108,710	108,710
Long-term investments	-	3,018,297	3,018,297
	<u>\$ 324,041</u>	<u>\$ 3,316,980</u>	<u>\$ 3,641,021</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

	June 30, 2016		
	Deposits	Investments	Total
Enterprise fund			
Cash and cash equivalents	\$ 93,142	\$ -	\$ 93,142
Assets limited as to use	-	97,222	97,222
Investments designated for liquidity support	-	265,585	265,585
Long-term investments	-	2,440,807	2,440,807
	<u>\$ 93,142</u>	<u>\$ 2,803,614</u>	<u>\$ 2,896,756</u>

Enterprise fund investments consist of the following:

	June 30,	
	2017	2016
Restricted by trustee under bond agreement	\$ 145,365	\$ 57,818
Restricted by donor	43,077	39,031
Other restricted	1,531	373
Unrestricted	<u>3,127,007</u>	<u>2,706,392</u>
Total investments	<u>\$ 3,316,980</u>	<u>\$ 2,803,614</u>

The following is a summary of enterprise fund investments at fair value:

	June 30,	
	2017	2016
Cash equivalents	\$ 37,329	\$ 57,510
U.S. Treasury bills	194,299	201,083
U.S. government agency, pool, and mortgage-backed securities	95,443	63,460
Asset-backed securities	49,382	66,786
Mutual bond funds	467,631	540,102
Treasury inflation protected securities ("TIPS")	151,560	152,075
Corporate bonds	298,894	179,738
Equity securities	2,019,609	1,545,707
Interest and dividends receivable	5,094	2,497
Miscellaneous investment payable	<u>(2,261)</u>	<u>(5,344)</u>
Total investments	<u>\$ 3,316,980</u>	<u>\$ 2,803,614</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

The following is a summary of pension trust fund investments at fair value:

	June 30,	
	2017	2016
Cash equivalents	\$ 9,172	\$ 9,053
U.S. Treasury bills	33,405	26,545
U.S. government agency, pool, and mortgage-backed securities	13,811	5,645
Asset-backed securities	1,448	2,251
TIPS	20,190	19,932
Corporate bonds	11,049	9,060
Alternative investments	107,537	75,948
Private real estate	29,299	42,291
Mutual bond funds	100,196	92,636
Other mutual funds	385,971	296,152
Interest and dividends receivable	292	207
Miscellaneous investment payable	(2,268)	(1,374)
Total investments	<u>\$ 710,102</u>	<u>\$ 578,346</u>

(a) Credit Risk

UCHealth's investment policy statements for the enterprise and pension trust funds apply the prudent man rule. Investment responsibilities shall be undertaken "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use."

UCHealth's enterprise and pension trust fund investments in U.S. agency, pool, and mortgage-backed securities are limited to investments rated AAA or AA. UCHealth's enterprise and pension trust funds' asset-backed securities, corporate bonds, and private placements are limited to securities rated Baa3 or BBB- or higher. Under certain circumstances, UCHealth's equity investment managers are allowed to purchase fixed income securities that are convertible into equities. In these circumstances, the guidelines set forth for the specific equity manager supersede the fixed income quality guidelines. The quality ratings mentioned above are required by at least one major credit rating agency at the time of purchase.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of enterprise fund investments at June 30, 2017 and 2016. The ratings are presented as the lower of Standard & Poor's or Moody's rating using the S&P scale.

	2017		2016	
	2017 Fair Value	Average Rating	2016 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	\$ 95,443	AA+	\$ 63,460	AA+
Asset-backed securities	\$ 49,382	AA+	\$ 66,786	AA+
Mutual bond funds	\$ 467,631	BBB-	\$ 540,102	BBB
TIPS	\$ 151,560	AA+	\$ 152,075	AA+
Corporate bonds				
Financials	\$ 127,465	A-	\$ 64,317	BBB+
Industrials	114,945	A	56,590	A-
Municipal	196	AA+	194	AAA
Municipal taxable	1,939	AA-	1,233	AA
Other corporate bonds	2,346	AAA	1,419	AA
Other global corporate bonds	35,877	A	39,670	A
Private placements	16,126	A-	16,315	BBB+
Total corporate bonds	\$ 298,894		\$ 179,738	

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

(a) Credit Risk (continued)

The following is a summary of pension trust fund investments at June 30, 2017 and 2016, with average credit ratings based on the lower of Standard & Poor's or Moody's rating using the S&P scale:

	2017		2016	
	2017 Fair Value	Average Rating	2016 Fair Value	Average Rating
U.S. government agency, pool, and mortgage-backed securities	<u>\$ 13,811</u>	AA+	<u>\$ 5,645</u>	AA+
Asset-backed securities	<u>\$ 1,448</u>	AAA	<u>\$ 2,251</u>	AAA
Mutual bond funds	<u>\$ 100,196</u>	BBB-	<u>\$ 92,636</u>	BBB
TIPS	<u>\$ 20,190</u>	AAA	<u>\$ 19,932</u>	AAA
Corporate bonds				
Private placements	\$ 1,598	AA-	\$ 1,062	AA
Other	<u>9,451</u>	A-	<u>7,998</u>	A-
Total corporate bonds	<u>\$ 11,049</u>		<u>\$ 9,060</u>	

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk

UCHealth's enterprise and pension trust fund investment policy manages its exposure to fair value losses arising from rising interest rates by investment manager-specific guidelines that benchmark and limit the duration of its investment portfolio.

As of June 30, 2017 and 2016, the enterprise fund held the following investments. Modified duration is in years.

	2017		2016	
	2017 Fair Value	Modified Duration	2016 Fair Value	Modified Duration
U.S. Treasury bills	\$ 194,299	5.55	\$ 201,083	4.80
U.S. government agency, pool, and mortgage-backed securities	\$ 95,443	3.95	\$ 63,460	3.69
Asset-backed securities	\$ 49,382	4.42	\$ 66,786	4.42
Mutual bond funds	\$ 467,631	4.32	\$ 540,102	4.33
TIPS	\$ 151,560	7.58	\$ 152,075	7.88
Corporate bonds				
Financials	\$ 127,465	1.43	\$ 64,317	2.11
Industrials	114,945	1.94	56,590	3.19
Municipal	196	0.10	194	0.02
Municipal taxable	1,939	9.85	1,233	10.97
Other corporate bonds	2,346	1.99	1,419	2.10
Other global corporate bonds	35,877	2.18	39,670	2.21
Private placements	16,126	2.13	16,315	3.23
Total corporate bonds	\$ 298,894		\$ 179,738	

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

(b) Interest Rate Risk (continued)

As of June 30, 2017 and 2016, the pension trust fund held the following investments. Modified duration is in years.

	2017		2016	
	2017 Fair Value	Modified Duration	2016 Fair Value	Modified Duration
U.S. Treasury bills	\$ 33,405	7.18	\$ 26,545	6.12
U.S. government agency, pool, and mortgage-backed securities	\$ 13,811	4.09	\$ 5,645	3.61
Asset-backed securities	\$ 1,448	4.38	\$ 2,251	3.01
Mutual bond funds	\$ 100,196	6.05	\$ 92,636	5.15
TIPS	\$ 20,190	7.70	\$ 19,932	7.85
Corporate bonds				
Private placements	\$ 1,598	1.53	\$ 1,062	1.75
Other	9,451	2.67	7,998	3.28
Total corporate bonds	\$ 11,049		\$ 9,060	

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(6) Deposits and Investments (continued)

(c) Foreign Currency Risk

UCHealth's enterprise and pension trust fund investment policies manage exposure to foreign currency risk by limiting the allocation percentage of international mutual funds to 5%-15% of the total fair value for the enterprise fund and 16%-28% of the total fair value for the pension trust fund. All of UCHealth's investments exposed to foreign currency risk are held in international mutual funds. UCHealth's enterprise and pension trust fund investments are exposed to foreign currency risk as illustrated in the following table as of June 30, 2017 and 2016.

Currency	Enterprise Fund Fair Value		Pension Trust Fund Fair Value	
	2017	2016	2017	2016
Australian Dollar	\$ 9,609	\$ 9,167	\$ 4,027	\$ 3,627
Brazilian Real	7,018	4,396	2,676	1,860
Canadian Dollar	15,327	13,409	6,208	5,545
Chilean Peso	436	351	169	123
Colombian Peso	1,627	438	253	97
Czech Koruna	940	764	410	337
Danish Krone	3,299	3,751	2,055	2,977
Egyptian Pound	49	47	19	16
Euro	121,890	82,732	34,818	23,455
Hong Kong Dollar	34,801	26,847	14,156	10,158
Hungarian Forint	1,168	849	511	372
Indian Rupee	11,823	9,282	7,148	5,324
Indonesian Rupiah	2,632	2,246	1,158	966
Israel New Shekel	671	816	260	304
Japanese Yen	70,526	43,290	27,957	17,003
Kenyan Shilling	404	183	187	84
Malaysian Ringgit	927	852	356	296
Mexican Peso	2,917	3,587	1,045	1,356
New Zealand Dollar	197	509	75	200
Norwegian Krone	3,384	3,157	427	504
Pakistani Rupee	48	1	19	-
Philippine Peso	750	839	434	460
Polish Zloty	1,240	1,058	527	443
Qatari Riyal	256	252	100	89
Russian Ruble	2,556	869	559	304
Singapore Dollar	5,103	4,449	615	544
South African Rand	6,491	6,536	2,655	2,633
South Korean Won	24,248	18,095	8,428	5,764
Swedish Krona	9,474	6,563	3,425	2,316
Swiss Franc	20,026	21,520	5,969	7,279
Taiwan New Dollar	14,868	10,267	5,987	4,215
Thailand Baht	3,430	3,054	1,214	890
Turkish Lira	3,780	1,578	1,522	626
United Arab Emirates Dirham	830	300	363	110
United Kingdom Pound Sterling	49,461	42,629	17,366	13,139
	<u>\$ 432,206</u>	<u>\$ 324,683</u>	<u>\$ 153,098</u>	<u>\$ 113,416</u>

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Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(6) Deposits and Investments (continued)

(d) Concentration of Credit Risk

UCHealth's enterprise and pension trust fund investment policies state that the equity and fixed income portfolio should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. UCHealth has evaluated all investments at June 30, 2017 and confirmed that no more than 5% of total investments are held in any one issuer.

Additionally, UCHealth's enterprise and pension trust fund investment policies state that, within each investment manager, no more than 10% of the equity or fixed income portfolio based on market value should be invested in the securities of any one issuer other than fixed income pools of investments, such as U.S. governments or U.S. government agencies. Except for U.S. Treasuries, no more than 10% of the fixed income portfolio, based on market value, shall be invested in securities of any one issuer at the time of purchase. At June 30, 2017, the fixed income and equity investment managers were in compliance with the stated diversification policy.

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes

UCHealth uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates. Interest rate swaps necessarily involve counterparty credit risk. UCHealth seeks to control this risk by entering into transactions with high quality counterparties and through exposure monitoring. Interest rate swaps are used to manage the interest rate exposure of certain variable rate bonds issuances. The counterparties to the interest rate swap contracts are major financial institutions that are rated Aa3 and A2 by Moody's. The estimated fair value of interest rate swaps, which is the gross unrealized market gain or loss, is based on quotes obtained from the counterparties. UCHealth's credit risk on the swaps is limited to any positive fair value of the financial instruments.

During the years ended June 30, 2017 and 2016, UCHealth was party to four swap agreements as follows:

- *A floating-to-fixed swap agreement having an original notional value of \$71,235 and current notional amount of \$63,825, reducing on the dates and the amounts set forth in the Series 2013C bond offering documents describing principal payments.* This agreement was entered into in November 2006 and is scheduled to terminate in November 2031. In this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.5% and receives the sum of 61.8% of USD-LIBOR-BMA plus 0.31%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013C Revenue Bonds to fixed rate obligations. At June 30, 2017 and 2016, this swap had an approximate fair value of \$(11,129) and \$(16,155), respectively.
- *A floating-to-fixed swap agreement having an original notional value of \$100,160 and a current notional value of \$88,720, reducing on the dates and amounts set forth in the Series 2013A bond offering documents describing principal payments.* This agreement was entered into in October 2004 and is scheduled to terminate in November 2033. Under the terms of this agreement, on the first Wednesday of each calendar month, UCHA pays a fixed rate of 3.631% and receives the sum of 62.2% of USD-LIBOR-BBA plus 0.30%. The objective of this agreement is generally to convert UCHA's floating rate obligations with respect to the Series 2013A Revenue Bonds to fixed rate obligations. At June 30, 2017 and 2016 the floating-to-fixed rate swap had an approximate fair value of \$(18,254) and \$(26,631), respectively.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(7) Investments with Fair Values That Are Highly Sensitive to Interest Rate Changes (continued)

- In December 2016, UCHealth entered a forward-starting floating-to-fixed interest rate swap to coincide with a planned refunding of Series 2005 bonds. It is anticipated that the forward swap will hedge variable rate bonds issued in 2018 to refund the fixed rate Series 2005 bonds ranging from 5.00% to 5.25% creating synthetic fixed rate debt. The swap agreement has an initial notional amount of \$198,805 and a fixed payor rate of 1.81% and UCHealth will receive 67% of one-month LIBOR for the entire swap term, which expires March 2040. Settlements are to be made monthly, starting in September 2018. At June 30, 2017, this swap had an approximate fair value of \$(3,990).
- In February 2017, concurrent with the issuance of the UCHA Series 2017A Bonds, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of \$152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus 40 basis points. UCHealth settles with the counterparty semi-annually each May and November. The swap agreement carries a 10-year term. At June 30, 2017, this swap had an approximate fair value of \$2,632.

In fiscal years 2017 and 2016, the swaps produced an annual net cash outflow of approximately \$3,135 and \$4,954, respectively. Cash flows associated with the floating-to-fixed swaps are treated as interest expense. According to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, none of UCHA's swap agreements qualify as effective cash flow hedging derivative instruments. Swap agreements tied directly to a bond issuance are reported as fair value of derivative instruments on the balance sheets and changes in fair value are reported as unrealized gain (loss) on derivative investments on the statements of revenue, expenses, and changes in net position.

(8) Fair Value

(a) Fair Value Hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. As a basis for considering market participant assumptions in fair value measurements, UCHealth utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting UCHealth's own assumptions.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the enterprise fund held the following investments, by level, within the fair value hierarchy.

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 194,299	\$ 194,299	\$ -	\$ -
U.S. government agency, pool, and mortgage-backed securities	95,443	-	95,443	-
Asset-backed securities	49,382	-	43,281	6,101
Mutual bond funds	467,631	324,787	142,844	-
TIPS	151,560	261	151,299	-
Corporate bonds	298,894	-	298,615	279
Equity securities	2,019,609	1,473,783	544,196	1,630
Total investments by fair value level	<u>\$ 3,276,818</u>	<u>\$ 1,993,130</u>	<u>\$ 1,275,678</u>	<u>\$ 8,010</u>
Derivative instruments				
Interest rate swaps	<u>\$ (30,741)</u>	<u>\$ -</u>	<u>\$ (30,741)</u>	<u>\$ -</u>
	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury bills	\$ 201,083	\$ 201,083	\$ -	\$ -
U.S. government agency, pool, and mortgage-backed securities	63,460	-	63,460	-
Asset-backed securities	66,786	-	61,098	5,688
Mutual bond funds	540,102	274,366	265,736	-
TIPS	152,075	2,732	149,343	-
Corporate bonds	179,738	-	179,738	-
Equity securities	1,545,707	1,193,999	349,851	1,857
Total investments by fair value level	<u>\$ 2,748,951</u>	<u>\$ 1,672,180</u>	<u>\$ 1,069,226</u>	<u>\$ 7,545</u>
Derivative instruments				
Interest rate swaps	<u>\$ (42,786)</u>	<u>\$ -</u>	<u>\$ (42,786)</u>	<u>\$ -</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

As of June 30, 2017 and 2016, the pension trust fund held the following investments, by level, within the fair value hierarchy.

June 30, 2017				
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 33,405	\$ 33,405	\$ -	\$ -
U.S. government agency, pool, and mortgage-backed securities	13,811	-	13,811	-
Asset-backed securities	1,448	-	1,271	177
TIPS	20,190	-	20,190	-
Corporate bonds	11,049	-	10,958	91
Alternative investments	107,537	28,286	20,671	58,580
Private real estate	29,299	-	-	29,299
Mutual bond funds	100,196	40,787	59,409	-
Other mutual funds	385,971	262,450	123,521	-
Total investments	<u>\$ 702,906</u>	<u>\$ 364,928</u>	<u>\$ 249,831</u>	<u>\$ 88,147</u>

June 30, 2016				
	Total	Level 1	Level 2	Level 3
U.S. Treasury bills	\$ 26,545	\$ 26,545	\$ -	\$ -
U.S. government agency, pool, and mortgage-backed securities	5,645	-	5,645	-
Asset-backed securities	2,251	-	2,186	65
TIPS	19,932	-	19,932	-
Corporate bonds	9,060	-	9,060	-
Alternative investments	75,948	13,409	16,244	46,295
Private real estate	42,291	-	-	42,291
Mutual bond funds	92,636	43,683	48,953	-
Other mutual funds	296,152	216,239	79,849	64
Total investments	<u>\$ 570,460</u>	<u>\$ 299,876</u>	<u>\$ 181,869</u>	<u>\$ 88,715</u>

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Notes to Basic Financial Statements
June 30, 2017 and 2016
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(8) Fair Value (continued)

(a) Fair Value Hierarchy (continued)

U.S. Treasury bills, TIPS, equity securities, alternative investments, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. government debt securities, asset-backed securities, TIPS, corporate bonds, alternative investments, equity securities, and mutual fund securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Asset-backed securities classified in Level 3 are valued using discounted cash flow techniques. Private real estate investments classified in Level 3 of the fair value hierarchy are valued using the income approach based on a discounted cash flow model, with reliance on other metrics used in the marketplace, including the analysis of comparable sales and relationship to replacement cost. Alternative investments, equity securities, and other mutual funds classified in Level 3 of the fair value hierarchy are valued by developing a range of values using multiple methodologies deemed relevant by market participants, including discounted cash flow models, market multiple models, and recent transaction multiples. Swap agreements classified in Level 2 of the fair value hierarchy are valued using interest rate and forward yield curve inputs.

The table below reconciles the total fair value disclosures above to the total fair value of enterprise fund and pension trust fund investments as disclosed in Note 6.

	June 30,	
	2017	2016
Enterprise fund investments		
Total investments by fair value level	\$ 3,276,818	\$ 2,748,951
Cash equivalents	37,329	57,510
Interest and dividends receivable	5,094	2,497
Miscellaneous investment payable	<u>(2,261)</u>	<u>(5,344)</u>
Total enterprise fund investments	<u>\$ 3,316,980</u>	<u>\$ 2,803,614</u>
Pension trust fund investments		
Total investments by fair value level	\$ 702,906	\$ 570,460
Cash equivalents	9,172	9,053
Interest and dividends receivable	292	207
Miscellaneous investment payable	<u>(2,268)</u>	<u>(1,374)</u>
Total pension trust fund investments	<u>\$ 710,102</u>	<u>\$ 578,346</u>

(9) Other Investments

UCHealth recognizes its interest in the net assets and operations of joint ventures in which UCHealth and its component units have an ownership interest and ongoing financial interests or ongoing financial responsibilities. At June 30, 2017 and 2016, equity interests in joint ventures held by UCHealth and its component units ranged from 5% to 51% and totaled \$94,934 and \$59,567, respectively.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(9) Other Investments (continued)

PVHS has a 26% equity interest in the Surgery Center of Fort Collins, LLC (the “Surgery Center”) totaling \$2,734 and \$2,751 at June 30, 2017 and 2016, respectively. PVHS’s share of the Surgery Center’s net income was \$425 and \$471 for the years ended June 30, 2017 and 2016, respectively. The Surgery Center’s financial statements are separately audited. PVHS received distributions from the Surgery Center of \$442 and \$533 during the years ended June 30, 2017 and 2016, respectively.

Lakota Lake, LLC (“Lakota Lake”) has a 50% equity interest in Gateway Medical Services, LLC (“Gateway”) totaling \$6,720 and \$6,401 at June 30, 2017 and 2016, respectively. Lakota Lake’s share of Gateway’s net income was \$7,908 and \$6,079 for the years ended June 30, 2017 and 2016, respectively. Gateway’s financial statements are separately audited. Lakota Lake received distributions from Gateway of \$7,589 and \$5,996 during the years ended June 30, 2017 and 2016, respectively.

PVHS has a 50% equity interest in Harmony Surgery Center, LLC (“Harmony Surgery”) totaling \$2,777 and \$2,241 at June 30, 2017 and 2016, respectively. PVHS’s share of Harmony Surgery’s net income was \$2,461 and \$1,855 for the years ended June 30, 2017 and 2016, respectively. Harmony Surgery’s financial statements are separately audited. PVHS received distributions from Harmony Surgery of \$1,925 and \$1,950 during the years ended June 30, 2017 and 2016, respectively.

PVHS has a 50% equity interest in Carbon Valley Healthcare Holdings Corp (“Carbon Valley”) totaling \$1,475 and \$2,275 at June 30, 2017 and 2016, respectively. PVHS’s share of Carbon Valley’s net loss was \$33 and \$44 for the years ended June 30, 2017 and 2016, respectively. Carbon Valley’s financial statements are not audited. PVHS recorded a write-down of \$767 for Carbon Valley during the year ended June 30, 2017.

UCHealth has a 50.1% equity interest in UCHealth Partners LLC (“UCHealth Partners”) totaling \$34,755 and \$22,603 at June 30, 2017 and 2016, respectively. UCHealth’s share of UCHealth Partners’ net loss was \$3,903 and net gain was \$3,903 for the years ended June 30, 2017 and 2016, respectively. UCHealth Partners’ financial statements are separately audited. UCHealth made contributions to UCHealth Partners of \$16,055 during the year ended June 30, 2017.

UCHealth has a 20% equity interest in PAS Solutions Group, LLC (“PAS”), totaling \$7,610 and \$7,388 at June 30, 2017 and 2016, respectively. UCHealth’s share of PAS’s net gain was \$222 and net loss was \$112 for the years ended June 30, 2017 and 2016, respectively. PAS’s financial statements are separately audited.

UCHealth has a 21% equity interest in LeanTaaS, Inc. (“LeanTaaS”), totaling \$10,543 and \$10,000 at June 30, 2017 and 2016, respectively. UCHealth’s share of LeanTaaS’ net loss was \$333 and \$0 for the years ended June 30, 2017 and 2016, respectively. LeanTaaS’ financial statements are separately audited. UCHealth made contributions to LeanTaaS of \$875 and \$10,000 during the years ended June 30, 2017 and 2016, respectively.

During 2017, UCHealth purchased a 20% equity interest in Brookhaven Medical Properties, LLC (“Brookhaven”) resulting in an equity interest totaling \$8,278 at June 30, 2017. UCHealth’s share of Brookhaven net income was \$0 for the year ended June 30, 2017. Brookhaven’s financial statements are separately audited. UCHealth made contributions to Brookhaven of \$8,278 during the year ended June 30, 2017.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(9) Other Investments (continued)

UCHealth and its component units have equity ownership interests ranging from 5% to 50% in other joint ventures totaling \$5,543 and \$5,908 for the years ended June 30, 2017 and 2016, respectively. UCHealth and its component units' share of the other joint ventures net income was \$2,015 and \$2,058 for the years ended June 30, 2017 and 2016, respectively. UCHealth and its component units received \$2,379 and \$2,374 in distributions from these other joint ventures during the years ended June 30, 2017 and 2016, respectively. UCHealth made contributions of \$650 to these other joint ventures during the year ended June 30, 2016.

During 2017, UCHealth invested \$7,500 in SmartChoice MRI, LLC ("SmartChoice"), which is accounted for under the cost method. At June 30, 2017, UCHealth's total interest in SmartChoice is \$7,500. During 2017, UCHealth invested \$7,000 in Catapult Health, LLC ("Catapult"), which is accounted for under the cost method. At June 30, 2017, UCHealth's total interest in Catapult is \$7,000.

UCHA has a minority interest in TriWest Healthcare Alliance Corp. ("TriWest") of \$6,000 at June 30, 2017 and 2016, which is accounted for under the cost method as described in Note 15.

(10) Capital Assets

Capital assets consist of the following at June 30, 2017, 2016, and 2015:

	June 30, 2015	Additions	Transfers	Disposals	June 30, 2016	Additions	Transfers	Disposals	June 30, 2017
Capital assets, not being depreciated									
Land	\$ 83,092	\$ 30,126	\$ (3,238)	\$ (1,117)	\$ 108,863	\$ 11,913	\$ 24	\$ (30)	\$ 120,770
Construction in progress	110,165	189,369	(157,311)	(84)	142,139	316,171	(196,707)	(755)	260,848
Total capital assets, not being depreciated	193,257	219,495	(160,549)	(1,201)	251,002	328,084	(196,683)	(785)	381,618
Capital assets, being depreciated									
Buildings and improvements	1,845,185	21,603	83,638	(4,990)	1,945,436	9,099	120,983	(2,128)	2,073,390
Fixed and moveable equipment	829,589	72,331	76,911	(20,453)	958,378	26,635	75,700	(38,932)	1,021,781
Total capital assets, being depreciated	2,674,774	93,934	160,549	(25,443)	2,903,814	35,734	196,683	(41,060)	3,095,171
Accumulated depreciation and impairment									
Buildings and improvements	641,687	67,578	-	(4,939)	704,326	71,274	-	(1,918)	773,682
Fixed and moveable equipment	562,904	102,597	-	(20,217)	645,284	101,300	-	(38,150)	708,434
Total accumulated depreciation and impairment	1,204,591	170,175	-	(25,156)	1,349,610	172,574	-	(40,068)	1,482,116
Total capital assets, net	\$ 1,663,440	\$ 143,254	\$ -	\$ (1,488)	\$ 1,805,206	\$ 191,244	\$ -	\$ (1,777)	\$ 1,994,673

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Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(11) Contractual Arrangements and Concentrations of Credit Risk

The Health System provides care to patients covered by various third-party payors, such as Medicare, Medicaid, private insurance companies, and health maintenance organizations. Significant concentrations of patient accounts receivable include the following:

	June 30,	
	2017	2016
Medicare	23%	25%
Medicaid	27%	18%
Managed care	33%	38%
Commercial	2%	2%
Self-pay and medically indigent	7%	7%
Military and other governmental	2%	2%
Other	6%	8%

Management does not believe there are significant credit risks associated with the above payors, other than the self-pay and medically indigent categories. Further, management continually monitors and adjusts reserves and allowances associated with these receivables. Patient accounts receivable are reported net of allowances for doubtful accounts, contractual adjustments, and medically indigent allowances.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases

Long-term debt consists of the following:

Issuing Entity	Description	2017	2016
Combined	Capital leases, long term	\$ 22,726	\$ 25,106
MHS	City of Colorado Springs lease, long term, due in installments through September 30, 2042	98,563	101,111
Combined	Loan payable	3,853	4,032
PVHS	Revenue bonds, Series 2005A, due in four sinking fund payments ending in fiscal year 2031, net of unamortized discount of \$80 and \$86 at June 30, 2017 and 2016, respectively	49,920	49,914
PVHS	Revenue bonds, Series 2005B, due in six sinking fund payments ending in fiscal year 2036, net of unamortized discount of \$163 and \$172 at June 30, 2017 and 2016, respectively	82,837	82,828
PVHS	Revenue bonds, Series 2005C, due in five sinking fund payments ending in fiscal year 2040, net of unamortized discount of \$533 and \$557 at June 30, 2017 and 2016, respectively	81,467	81,443
UCHA	Revenue bonds series 2009A, due in increasing annual installments through fiscal year 2030, net of unamortized bond discount of \$110 and \$125 at June 30, 2017 and 2016, respectively	39,610	42,135
UCHA	Revenue Bonds, Series 2011B, due in installments through fiscal year 2030	98,515	99,500
UCHA	Revenue Bonds, Series 2011C, due in installments through fiscal year 2023	44,705	50,915
UCHA	Revenue Bonds, Series 2012A, due in installments through fiscal year 2043, inclusive of unamortized premium of \$17,502 and \$18,429, and net of unamortized discounts of \$725 and \$763 at June 30, 2017 and 2016, respectively	261,617	269,871
UCHA	Revenue Bonds, Series 2012B, due in installments through fiscal year 2047	50,000	50,000
UCHA	Revenue Bonds, Series 2012C, due in installments through fiscal year 2046	87,510	87,510
UCHA	Revenue Bonds, Series 2013A, due in installments through fiscal year 2034	88,720	90,695
UCHA	Revenue Bonds, Series 2013B, due in installments through fiscal year 2025	10,140	11,135
UCHA	Revenue Bonds, Series 2013C, due in installments through fiscal year 2032	63,825	65,305
UCHA	Revenue Bonds, Series 2015A, refunded in 2017	-	151,330
UCHA	Revenue Bonds, Series 2015B, refunded in 2017	-	57,405
UCHA	Revenue Bonds, Series 2015C, refunded in 2017	-	56,850
UCHA	Revenue Bonds, Series 2015D, due in installments through fiscal year 2042	199,100	199,100
UCHA	Revenue Bonds, Series 2017A, due in installments through fiscal year 2047	152,075	-
UCHA	Revenue Bonds, Series 2017B-1, due in installments through fiscal year 2040	57,685	-
UCHA	Revenue Bonds, Series 2017B-2, due in installments through fiscal year 2025	57,125	-
UCHA	Revenue Bonds, Series 2017C, due in installments through fiscal year 2048 inclusive of unamortized premium of \$22,991 at June 30, 2017	299,081	-
	Total long-term debt	1,849,074	1,576,185
	Less current portion	(29,653)	(27,822)
	Less long-term debt subject to short-term remarketing arrangements	(108,710)	(265,585)
		<u>\$ 1,710,711</u>	<u>\$ 1,282,778</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2017 are as follows:

Entity	2017	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined MHS	Capital leases	Various	\$ 25,106	\$ 1,284	\$ -	\$ (3,664)	\$ 22,726	\$ 3,534
	City of Colorado							
	Springs lease	10/01/12	101,111	-	-	(2,548)	98,563	2,627
Combined	Loan payable		4,032	-	-	(179)	3,853	192
PVHS	Series 2005A	03/01/05	49,914	-	6	-	49,920	-
PVHS	Series 2005B	03/01/05	82,828	-	9	-	82,837	-
PVHS	Series 2005C	03/01/05	81,443	-	24	-	81,467	-
UCHA	Series 2009A	08/06/09	42,135	-	15	(2,540)	39,610	1,920
UCHA	Series 2011B	11/09/11	99,500	-	-	(985)	98,515	1,085
UCHA	Series 2011C	11/16/11	50,915	-	-	(6,210)	44,705	6,535
UCHA	Series 2012A	10/01/12	269,871	-	(889)	(7,365)	261,617	2,470
UCHA	Series 2012B	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	11/18/13	90,695	-	-	(1,975)	88,720	2,090
UCHA	Series 2013B	11/18/13	11,135	-	-	(995)	10,140	1,060
UCHA	Series 2013C	11/18/13	65,305	-	-	(1,480)	63,825	1,580
UCHA	Series 2015A	02/03/15	151,330	(151,330)	-	-	-	-
UCHA	Series 2015B	02/03/15	57,405	(57,405)	-	-	-	-
UCHA	Series 2015C	02/03/15	56,850	(56,850)	-	-	-	-
UCHA	Series 2015D	09/01/15	199,100	-	-	-	199,100	460
UCHA	Series 2017A	02/16/17	-	152,075	-	-	152,075	-
UCHA	Series 2017B-1	02/16/17	-	57,685	-	-	57,685	-
UCHA	Series 2017B-2	02/16/17	-	57,125	-	-	57,125	6,100
UCHA	Series 2017C	02/16/17	-	301,378	(2,297)	-	299,081	-
	Total		<u>\$ 1,576,185</u>	<u>\$ 303,962</u>	<u>\$ (3,132)</u>	<u>\$ (27,941)</u>	<u>\$ 1,849,074</u>	<u>\$ 29,653</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

Changes in long-term debt for the year ended June 30, 2016 are as follows:

Entity	2016	Date of Issuance	Beginning Balance	Issuances/ Refundings of Debt	Discount and Deferred Refunding Amortization	Principal Payments	Ending Balance	Due Within One Year
Combined MHS	Capital leases	Various	\$ 29,228	\$ -	\$ -	\$ (4,122)	\$ 25,106	\$ 3,545
	City of Colorado Springs lease	10/01/12	103,582	-	-	(2,471)	101,111	2,548
Combined	Loan payable		4,198	-	-	(166)	4,032	179
PVHS	Series 2005A	03/01/05	49,908	-	6	-	49,914	-
PVHS	Series 2005B	03/01/05	82,819	-	9	-	82,828	-
PVHS	Series 2005C	03/01/05	81,419	-	24	-	81,443	-
UCHA	Series 2009A	08/06/09	43,119	-	16	(1,000)	42,135	2,540
UCHA	Series 2011A	05/01/11	200,180	(200,180)	-	-	-	-
UCHA	Series 2011B	11/09/11	100,485	-	-	(985)	99,500	985
UCHA	Series 2011C	11/16/11	56,820	-	-	(5,905)	50,915	6,210
UCHA	Series 2012A	10/01/12	277,750	-	(914)	(6,965)	269,871	7,365
UCHA	Series 2012B	10/01/12	50,000	-	-	-	50,000	-
UCHA	Series 2012C	10/01/12	87,510	-	-	-	87,510	-
UCHA	Series 2013A	11/18/13	92,695	-	-	(2,000)	90,695	1,975
UCHA	Series 2013B	11/18/13	12,140	-	-	(1,005)	11,135	995
UCHA	Series 2013C	11/18/13	66,780	-	-	(1,475)	65,305	1,480
UCHA	Series 2015A	02/03/15	151,330	-	-	-	151,330	-
UCHA	Series 2015B	02/03/15	57,405	-	-	-	57,405	-
UCHA	Series 2015C	02/03/15	56,850	-	-	-	56,850	-
UCHA	Series 2015D	09/01/15	-	200,180	-	(1,080)	199,100	-
Total			<u>\$ 1,604,218</u>	<u>\$ -</u>	<u>\$ (859)</u>	<u>\$ (27,174)</u>	<u>\$ 1,576,185</u>	<u>\$ 27,822</u>

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

Annual debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 29,653	\$ 63,241	\$ 92,894
2019	30,152	62,167	92,319
2020	34,518	60,303	94,821
2021	32,118	56,329	88,447
2022	33,476	52,776	86,252
2023-2027	225,967	226,445	452,412
2028-2032	264,985	187,424	452,409
2033-2037	315,146	137,536	452,682
2038-2042	361,292	80,772	442,064
2043-2047	399,681	26,201	425,882
2048	<u>83,205</u>	<u>1,664</u>	<u>84,869</u>
Total long-term debt payments	1,810,193	<u>\$ 954,858</u>	<u>\$ 2,765,051</u>
Unamortized net premium and discount	<u>38,881</u>		
Total carrying amount of long-term debt	<u>\$ 1,849,074</u>		

UCHealth has entered into capital leases for certain medical equipment, building leases, and software licensing agreements. Monthly lease payments are required for these agreements, which include principal and interest. The maturity dates for these leases range from fiscal year 2018 through fiscal year 2029, and they are secured by the capital assets under the capital lease arrangements. During fiscal year 2017, the Health System entered into new capital lease agreements for equipment totaling \$1,284.

At June 30, 2017, total capital assets and related accumulated depreciation under capital lease arrangements were \$34,844 and \$19,383, respectively. At June 30, 2016, total capital assets and related accumulated depreciation under capital lease arrangements were \$38,895 and \$20,604, respectively. Amortization expense under capital lease arrangements is included within depreciation and amortization in the accompanying balance sheets.

Effective October 1, 2012, an Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City of Colorado Springs (the "City") was executed with the purpose of leasing MHS. The original capital lease is for a 40-year term with renewals or extensions anticipated. The lease totaled \$110,000 and will be paid down in monthly payments over the term of the lease. Substantially all capital assets of MHS, with a book value and accumulated depreciation of \$735,981 and \$401,662, respectively, at June 30, 2017 and \$688,218 and \$370,022, respectively, at June 30, 2016, are included in the lease arrangement. Effective October 1, 2012, a Memorial Health System – Children's Hospital Colorado Sublease (the "Sublease") was entered into with Children's Hospital Colorado for 15% of the original capital lease under the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City. Total minimum sublease payments under the Sublease are \$16,500 and will be received in monthly payments over the term of the Sublease.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

In February 2017, UCHA issued Series 2017A Revenue Bonds ("Series 2017A") in the amount of \$152,075 to fully refund UCHA Series 2015A Revenue Bonds. Series 2017A were issued as fixed rate bonds at a rate of 4.625% with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Concurrently, UCHealth entered into a total return, fixed-to-floating swap agreement having a notional amount of \$152,075. Under the terms of the swap agreement, UCHealth receives an amount equal to the coupon of the bonds (4.625%) and makes payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 40 basis points. UCHealth settles with the counterparty semiannually, each May and November. The swap agreement expires in March 2027.

In February 2017, UCHA issued Series 2017B-1 and Series 2017B-2 Revenue Bonds ("Series 2017B") in the amounts of \$57,685 and \$57,125, respectively, to fully refund UCHA Series 2015B and 2015C Revenue Bonds. Series 2017B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with weekly remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2017, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity.

In February 2017, UCHA issued Series 2017C-1 and Series 2017C-2 Revenue Bonds ("Series 2017C") in the amounts of \$141,640 and \$134,450 respectively to finance new projects across UCHealth. Series 2017C-1 were issued as 3 year put bonds at a premium. Series 2017C-2 were issued as 5 year put bonds at a premium with variable interest rates. Both series pay interest monthly and pay principal according to a mandatory sinking fund redemption schedule.

In September 2015, UCHA issued Series 2015D Revenue Bonds ("Series 2015D") in the amount of \$200,180 to fully refund UCHA Series 2011A Revenue Bonds. Series 2015D were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a three-year term that will expire September 2018.

In February 2015, UCHA issued Series 2015A Revenue Bonds ("Series 2015A") in the amount of \$151,330 to finance certain projects at the Anschutz Medical Campus, Poudre Valley Hospital, and Memorial Hospital. Series 2015A were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015A in the amount of \$151,330 to pursue interest rate savings.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

In February 2015, UCHA issued Series 2015B Revenue Bonds ("Series 2015B") in the amount of \$57,405 to fully refund UCHA Series 2006A Revenue Bonds. Series 2015B were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintaining unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015B in the amount of \$57,405 to pursue interest rate savings.

In February 2015, UCHA issued Series 2015C Revenue Bonds ("Series 2015C") in the amount of \$56,850 to fully refund PVHS Series 2005F Revenue Bonds. Series 2015C were issued as variable rate demand bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. The bonds, while subject to long-term amortization periods, may be put at the option of the bondholders in connections with certain remarketing dates. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2016, the principal amount of such bonds has been classified as a current liability in the accompanying balance sheets. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including maintain unrestricted assets as a source of self-liquidity. In February 2017, the Health System refunded Series 2015C in the amount of \$56,850 to pursue interest rate savings.

In November 2013, UCHA issued Series 2013A Revenue Bonds ("Series 2013A") in the amount of \$94,645 to fully refund UCHA Series 2004A Revenue Bonds. Series 2013A were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In November 2013, UCHA issued Series 2013B Revenue Bonds ("Series 2013B") in the amount of \$13,140 to fully refund UCHA Series 2008A Revenue Bonds. Series 2013B were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In November 2013, UCHA issued Series 2013C Revenue Bonds ("Series 2013C") in the amount of \$68,185 to fully refund UCHA Series 2008B Revenue Bonds. Series 2013C were issued as variable rate bonds with interest paid monthly and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a seven-year term that will expire November 2020.

In October 2012, UCHA issued Series 2012A Revenue Bonds ("Series 2012A") to partially finance the Integration and Affiliation Agreement and Health System Operating Lease Agreement with the City to lease the Memorial Health System. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012A were issued in the amount of \$272,090 and are a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2015. Series 2012A were issued with an original issue premium of \$21,975 and an original issue discount of \$910. The average interest rate for Series 2012A is 4.26%.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

In October 2012, UCHA issued Series 2012B Revenue Bonds ("Series 2012B") in the amount of \$50,000 to fully refund UCHA Series 2004B Revenue Bonds. Series 2012B were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. Citibank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. The direct purchase bonds have a five-year term that will expire October 2017.

In October 2012, UCHA issued Series 2012C Revenue Bonds ("Series 2012C") in the amount of \$87,510 to fully refund PVHS Series 2005D and 2005E Revenue Bonds. UCHA can issue debt on behalf of obligated group members, as established under the joint operating agreement creating the Health System. Series 2012C were issued as variable rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedules. Wells Fargo Bank, N.A. is the holder of the bonds at a variable rate plus predetermined spread. In September 2015, UCHA extended the direct purchase agreement with Wells Fargo Bank, N.A. on Series 2012C under a three-year term that will expire September 2018.

In November 2011, UCHA issued Series 2011B Revenue Bonds ("Series 2011B") in the amount of \$103,940 to fully refund UCHA Series 1999A Revenue Bonds. Series 2011B were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. JPMorgan Chase Bank, N.A. is the holder of the bonds at a fixed interest rate of 3.28%. The direct purchase bonds were issued with a ten-year term that will expire November 2021.

In November 2011, UCHA issued Series 2011C Revenue Bonds ("Series 2011C") in the amount of \$72,870 to finance equipment for use and certain other improvements at the Anschutz Medical Campus. Series 2011C were issued as fixed rate bonds with interest paid semi-annually and principal paid according to a mandatory sinking fund redemption schedule. PNC Bank is the holder of the bonds at a current fixed interest rate of 2.31%. The direct purchase bonds were issued with an eleven-year term and will expire as the bonds fully mature in November 2022.

In May 2011, UCHA issued Series 2011A Revenue Bonds ("Series 2011A") in the amount of \$200,180. The net proceeds were used to partially fund the construction of the second inpatient tower built on the Anschutz Medical Campus. Series 2011A are variable rate bonds that bear interest weekly as determined by the remarketing agent and pay principal according to a mandatory sinking fund redemption schedule. The average remarketed interest rate was 0.03% in 2016. In September 2015, UCHA issued Series 2015D in the amount of \$200,180 to fully refund UCHA Series 2011A.

In August 2009, UCHA issued Series 2009A Revenue Bonds ("Series 2009A") in the amount of \$51,795 to fully refund UCHA Series 2006B Revenue Bonds. Series 2009A are a fixed interest rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2011. Series 2009A were issued with an original issue discount of \$239. The average interest rate for the Series 2009A is 5.87%.

In March 2005, PVHS issued \$370,000 of Revenue Bonds to finance a portion of the costs of construction and equipping Medical Center of the Rockies and defease a portion of the PVHS Series 1999A Revenue Bonds. These bonds were issued through the Colorado Health Facilities Authority. This bond issuance included four separate series.

- PVHS Series 2005A Revenue Bonds ("Series 2005A") were issued in the amount of \$50,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2028. Series 2005A were issued with an original issue discount of \$136 and have an average interest rate of 5.20%.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(12) Long-Term Debt and Leases (continued)

- PVHS Series 2005B Revenue Bonds (“Series 2005B”) were issued in the amount of \$83,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2031. Series 2005B were issued with an original issue discount of \$247 and have an average interest rate of 5.25%.
- PVHS Series 2005C Revenue Bonds (“Series 2005C”) were issued in the amount of \$82,000 as a fixed rate issuance with interest paid semi-annually and principal paid according to a mandatory sinking schedule beginning in fiscal year 2036. Series 2005C were issued with an original issue discount of \$759 and have an average interest rate of 5.25%.

All bonds are secured by a security interest with respect to all gross revenues of the Health System. The UCHA 1997A Master Indenture, as supplemented, and the PVHS amended and restated Master Trust Indenture as of 2005, as supplemented, each require the Health System to maintain certain financial ratios. During 2017 and 2016, the Health System met all of the financial ratio requirements.

Cash paid for interest was \$51,348 and \$47,299 in 2017 and 2016, respectively. Interest received on the unexpended bond funds in 2017 and 2016 was \$2,212 and \$3,032, respectively. Interest received on unexpended bond funds in 2017 and 2016 was offset against capitalized interest expense. Total capitalized interest expense to these projects was \$2,474 and \$366 in 2017 and 2016, respectively.

The fair value of the Health System’s long-term debt is based on the most recent trading price as of June 30, 2017. The fair value of the Revenue Bonds at June 30, 2017 and 2016 was approximately \$1,751,381 and \$1,491,937, respectively.

UCHealth leases certain equipment and facilities under non-cancelable operating leases. Future minimum lease payments for equipment and facilities under non-cancelable operating leases as of June 30, 2017 are approximately:

Year Ending June 30,

2018	\$	23,238
2019		18,952
2020		13,691
2021		8,880
2022		7,178
2023-2027		<u>16,831</u>
Total minimum obligations	\$	<u>88,770</u>

Rental expense, net of rental expense recovery, approximated \$30,135 and \$26,352 in 2017 and 2016 respectively.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(13) Self-Insurance Trust

UCD sponsors a self-insurance trust, the University of Colorado Self-Insurance and Risk Management Trust (the “Trust”), in which UCHA participates. The Trust was authorized by a Regent resolution dated June 23, 1985, and may be amended, altered, or revoked by UCD, but only if such amendment, alteration, or revocation is consistent with and in furtherance of the purpose of this Trust. The participants in the Trust are the University of Colorado (the “University”), including UCD and its agencies, administrators, faculty, and employees, and other affiliates of the University, including UCHA. As UCHA has transferred risk associated with this insurance into the public-entity risk pool of the Trust, the assets and liabilities of the Trust are not included in the accompanying basic financial statements.

The Trust provides coverage to its participants up to statutory limitations relating to malpractice claim immunity for government entities. The coverage is \$350 per claimant and \$990 per occurrence for claims arising from activities of covered persons and entities within the state of Colorado. The Trust also provides coverage of \$1,000 per occurrence for claims arising outside the state of Colorado. The Trust contracts with a commercial insurance company to provide \$6,000 per occurrence or aggregate per year for claims in which the limits of governmental immunity do not apply.

As of June 30, 2017, the Trust had a fund balance of approximately \$5,611, which is net of approximately \$9,428 in reserves for losses and loss adjustment expenses. At June 30, 2017, plan assets exceed the actuarially determined liability. For 2017 and 2016, UCHA recorded premium and administrative expenses of approximately \$1,496 and \$2,118, respectively. There were no refunds received during 2017 or 2016.

(14) Retirement Plans

UCHA offers four retirement plans: the University of Colorado Hospital Authority Retirement Plan (the “Basic Pension Plan”), as amended and restated, the University of Colorado Hospital Authority Fixed Contribution Investment Plan (the “Investment Account”), the University of Colorado Hospital Authority Matching Tax Deferred Annuity Plan (the “Matching Account”), and the University of Colorado Hospital Deferred Compensation Savings Plan (the “457b Plan”). The UCHA Board is the fiduciary for the Basic Pension Plan and has the ability to amend this plan. The Investment Account, Matching Account, and 457b Plan are administered by independent companies that have entered into trust agreements with UCHA. The investment companies hold all funds contributed under these plans. The UCHA Board has the authority to establish and amend the benefit provisions of these plans.

(a) Pension Plans

UCHA participates in two pension plans that cover substantially all of its employees. As of October 1, 1989, UCHA’s workforce was given the option of becoming employees of UCHA and participating in the Basic Pension Plan or remaining state employees of Colorado and continuing to participate in the Public Employees’ Retirement Association (“PERA”).

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

UCHA maintained a single-employer non-contributory, cash balance pension plan (the “Frozen Plan”) for Hospital employees through March 1995. Under this plan, contributions credited to each covered employee’s account were based on a percentage of compensation earned by the employee. Vesting under this plan was based on length of service. As of March 31, 1995, a final contribution was credited to the accounts of all covered employees of record on that date and the balances were frozen. Employee accounts continue to accrue interest based on the applicable interest rate as defined in Code Section 417(e)(3)(A)(ii)(II), and covered employees not fully vested in the Frozen Plan continue to earn credit toward vesting under a new plan adopted April 1, 1995. As of April 1, 1995, UCHA amended the Frozen Plan based on its ability to withdraw from the Old Age, Survivors, and Disability Insurance (“OASDI”) component of the Federal Insurance Contributions Act (“FICA”) program by virtue of its operation under legislatively granted state authority. UCHA and its employees still contribute to and participate in the Medicare component of FICA.

The Basic Pension Plan is a single-employer, non-contributory, defined benefit plan. Eligibility to receive benefits under this plan for UCHA employees starts on the date of hire. Those employees who were employed by UCHA prior to October 1, 1989, and those who elected to become UCHA employees, are eligible to participate. MHS employees active as of October 1, 2012, and PVHS employees active as of January 4, 2013, or hired thereafter are eligible for participation in the University of Colorado Hospital Authority Retirement Plan on that date. Effective September 1, 2012, participants are vested in their accrued benefit at 20% per every twelve months of service until they are 100% vested after five years. This is a change from the prior vesting schedule for UCHA employees, which required five years of service to become 100% vested.

The annual accrued benefits, paid monthly, of the Basic Pension Plan are calculated at 1.5% times the Average Annual Compensation times years of service (based on hire date). The five most highly compensated calendar years of service after March 26, 1995 are used to calculate the Average Annual Compensation. A small number of UCHA employees are eligible to receive additional benefits based on a combined age and years of credited service equal to or greater than 75 on January 1, 2013 (“Rule of 75”). The Basic Pension Plan offers reduced benefits for early retirement and adjusted benefits for late retirement (after age 65). Most plan participants, except those falling under the Rule of 75, will receive a monthly benefit with no annual cost of living adjustment factor, which is an amendment to the plan, effective for accruals on or after January 1, 2013.

Pension plan assets, which support both this and the Frozen Plan described above, consist of equity securities, fixed income securities, real estate, alternative investments, money market funds, cash, and receivables. Although the Basic Pension Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 (“ERISA”) and is, therefore, exempt from the requirements of Title I of ERISA, the Health System’s practice is to contribute amounts at least equal to the minimum funding requirements of ERISA.

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Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The actuarially computed net periodic pension cost for the Basic Pension Plan for 2017 and 2016 was approximately \$80,312 and \$78,765, respectively. Investment (losses) gains for 2017 and 2016, including interest, dividends, and realized and unrealized gains, were approximately \$78,610 and \$(476), respectively. Membership in the Basic Pension Plan consisted of the following at July 1, 2016 and 2015 (dates of the latest actuarial valuations):

	2016	2015
Retirees and beneficiaries receiving benefits	934	764
Terminated plan members entitled to but not yet receiving benefits	6,236	5,158
Active plan members, includes all participants within the system	16,986	15,512
Total members	24,156	21,434

As a governmental entity, UCHA has flexibility in determining the amount to contribute to the Basic Pension Plan each year. The actuarially determined contribution calculated as part of this report is intended to provide a systematic method for prefunding the liabilities for retirement benefits payable under the Basic Pension Plan. It is calculated in a manner intended to remain relatively stable, as a percentage of valuation compensation, over time. This stability is intended to facilitate the annual budgeting process and to keep the cost of the Basic Pension Plan manageable. The Health System made contributions to the Basic Pension Plan of \$74,356 and \$68,000 in 2017 and 2016, respectively. The actuarially determined contributions were \$74,356 and \$67,969 in 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Health System's average contribution rates were 7.02% and 7.23%, respectively, of annual payroll.

The Health System's net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2016 and 2015, respectively. The Health System utilized update procedures to roll valuation amounts forward to the respective measurement dates using the calculated service and interest cost, actual contributions, and return on plan assets.

Additional information as of the latest actuarial valuation date follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Actuarial assumptions	
i) Discount rate*	7.0%
ii) Projected salary increases*	3.6% to 6.5%
iii) Cost of living adjustments**	2.5%

* Includes inflation at 2.5%.

** Cost of living adjustments apply only to those participants who fall under the Rule of 75.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Mortality rates were based on the Sex-distinct RP-2014 mortality tables with base year 2006, without collar or amount adjustments, using a modified Scale MP-2015 with generational projections with ultimate convergence in 2017.

The actuary is required to use assumptions that represent his or her best estimate of future experience under the Basic Pension Plan and are reasonably related to the experience of the Plan. The actuary will monitor the actuarial experience under the Plan in future years in order to judge the continuing appropriateness of these assumptions. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through July 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a variety of industry-accepted practices to determine 10-year estimated ranges of future expected returns for major asset classes. For public equities, a building-block approach incorporating inflation, real earnings growth, dividend yield, and re-pricing was used. For fixed income, current yields and credit spreads were used. For the various alternative asset classes, a combination of historical risk premiums, illiquidity premiums, and style-specific premiums were used. The arithmetic average forecast returns for each asset class are combined at target asset allocation weights to provide a forecasted geometric (50th percentile) expected return for the plan. All figures shown are nominal (i.e., inclusive of inflation):

Asset Class	Target Allocation	Arithmetic Expected Return (10-Year Average)
Domestic equity	20%	6.1
International equity	21%	11.4
Fixed income	26%	4.0
Real estate	10%	6.4
Alternative	20%	8.8
Commodities	3%	5.5
	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.0%, including 2.5% inflation. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Changes in the net pension liability for the years ended June 30, 2017 and 2016 were as follows.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2015	\$ 643,003	\$ 526,333	\$ 116,670
Changes for the year			
Service cost	57,110	-	57,110
Interest	44,575	-	44,575
Contributions - employer	-	68,000	(68,000)
Net investment loss	-	(476)	476
Changes in assumptions and experience	(1,111)	-	(1,111)
Benefit payments	(14,047)	(14,047)	-
Administrative expense	-	(1,464)	1,464
Net changes	86,527	52,013	34,514
Balances at June 30, 2016	729,530	578,346	151,184
Changes for the year			
Service cost	63,156	-	63,156
Interest	50,527	-	50,527
Contributions - employer	-	74,356	(74,356)
Net investment income	-	78,610	(78,610)
Changes in experience	2,020	-	2,020
Benefit payments	(19,464)	(19,464)	-
Administrative expense	-	(1,746)	1,746
Net changes	96,239	131,756	(35,517)
Balances at June 30, 2017	\$ 825,769	\$ 710,102	\$ 115,667

The pension plan's fiduciary net position as a percentage of the total pension liability was 86.0% and 79.3% as of June 30, 2017 and 2016, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

The following presents the net pension liability of the Health System, calculated using the discount rate of 7.0%, as well as what the Health System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Net pension liability	\$ 245,570	\$ 115,667	10,358

For the years ended June 30, 2017 and 2016, the Health System recognized pension expense of \$80,312 and \$78,765, respectively. At June 30, 2017 and 2016, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
June 30, 2017		
Differences between expected and actual experience	\$ 9,585	\$ 3,060
Changes in assumptions	22,712	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,757</u>
Total	<u>\$ 32,297</u>	<u>\$ 5,817</u>
June 30, 2016		
Differences between expected and actual experience	\$ 11,344	\$ 4,409
Changes in assumptions	30,561	-
Net difference between projected and actual earnings on pension plan investments	<u>30,456</u>	<u>-</u>
Total	<u>\$ 72,361</u>	<u>\$ 4,409</u>

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(14) Retirement Plans (continued)

(a) Pension Plans (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 8,969
2019	14,887
2020	8,192
2021	(5,583)
2022	<u>15</u>
	<u>\$ 26,480</u>

At June 30, 2017, the Health System has made all required contributions to the pension plan for the year ended June 30, 2017.

UCHA's state employees are participants in a defined benefit pension plan of PERA, a cost-sharing multi-employer pension trust. Benefits are based upon length of service and compensation earned by the employee during the highest three years of service. UCHA has made contributions to PERA in accordance with actuarially determined funding amounts. Pension expense related to state employees was approximately \$67 and \$81 for 2017 and 2016, respectively. Required contributions during fiscal years 2017 and 2016 were \$67 and \$81, respectively. UCHA contributed 100% of each year's required contribution. As the Health System's proportionate share of PERA's net pension liability is insignificant, detailed disclosures regarding this plan are not included in this report. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained online at www.copera.org; by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

(b) Investment Account

The Investment Account is a qualified, single-employer, defined contribution retirement plan under the provisions of Code Section 401(a). Employees are required to contribute 6.2% of their gross compensation (limited to the OASDI wage base), which is equivalent to what their OASDI contributions would be under FICA participation. Employees are always fully vested in this component of the plan. Total compensation subject to the plans for the years ended June 30, 2017 and 2016, was approximately \$1,166,277 and \$1,056,608, respectively. Total employee contributions made under the provisions of this plan were approximately \$64,550 and \$57,760 for the years ended June 30, 2017 and 2016, respectively. This represents approximately 5.53% of the current year's payroll. In accordance with Code regulations, the Health System is required to provide an additional make-up contribution for certain part-time employees equal to 1.3% of their compensation until they are fully vested in the Basic Pension Plan. Make-up contributions made by UCHHealth were approximately \$605 and \$547 in 2017 and 2016, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(14) Retirement Plans (continued)

(c) Matching Account

The Matching Account is a single-employer, tax-deferred annuity plan under the provisions of Code Section 403(b). Employees are eligible to contribute a percentage of their gross compensation, tax-deferred up to legal limitations established under the Code. In addition, UCHHealth will match employee contributions 100% on the first 3% of gross compensation contributed. Employees are always vested 100% in their contributions; however, the Health System's matching contributions are subject to a five-year graduated vesting schedule. Certain part-time employees are not eligible for UCHHealth matching contributions. UCHHealth matching contributions for 2017 and 2016 were approximately \$23,542 and \$21,187, respectively.

As of October 1, 2012 Fidelity Investments became the exclusive investment option for employees of UCHA. Fidelity Investments provides a broad array of mutual funds with which to invest all contributions under the Investment Account and Matching Account. Prior to October 1, 2012 UCHA employees had the option to invest with TIAA-CREF and can continue to do so, although this investment company is no longer an option for employees of the Health System. Employee contributions to the Matching Account for 2017 and 2016 approximated \$56,805 and \$50,502, respectively.

(d) 457b Plan

The 457b Plan is a single-employer tax-deferred plan under the provisions of Code Section 457. The TIAA-CREF 457b Plan became effective in February 2005, and the Fidelity 457b Plan became effective in January 2011, whereby employees are eligible to contribute a percentage of their gross compensation, tax-deferred, up to legal limitations established under the Code. Only UCHA employees are able to contribute to the TIAA-CREF 457b Plan. Employees are always vested 100% in their contributions, and the Health System does not contribute to this plan. Employees may elect from a broad array of mutual funds with their respective investment companies. Employee contributions to the TIAA-CREF 457b Plan for 2017 and 2016 approximated \$313 and \$330, respectively. Employee contributions to the Fidelity 457b Plan in 2017 and 2016 approximated \$8,981 and \$7,575, respectively.

(e) Other Post-Employment Benefit Plan

In addition to the retirement plans mentioned above, UCHA provides a post-retirement medical premium subsidy to employees retiring from UCHA who are covered under the PERA benefit guarantee provision of the State of Colorado legislation creating the Authority. This plan provides a medical premium subsidy of up to \$112 per month for medical plan coverage (pro-rated for less than 20 years of service) and an employer-funded life insurance benefit of \$3,000. The employer-funded life insurance benefit is provided to all employees who retired from UCHA on or before July 1, 2015. The accumulated post-retirement benefit obligation and actuarial accrued liability, which is unfunded, for the medical and life premiums approximated \$3,473 and \$3,767 at June 30, 2017 and 2016, respectively. Total benefit costs (gains) related to this plan were \$6 and \$(2,229) for the years ended June 30, 2017 and 2016, respectively. In the calculation of the liability, a 7.0% discount rate was used and an assumption that 65% of eligible active employees would elect to be covered by the medical premium subsidy plan.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(15) Significant Transactions Between Component Units

UCHealth entities pool their respective revenues and expenses for a single bottom line. The UCHealth Board approves the operating and capital budgets of each entity throughout the system. Entity-specific boards remain to oversee medical staff and credentialing, quality, joint commission and oversight of other day-to-day operating activities.

The Health System's balance sheets; statements of revenue, expenses, and changes in net position; and statements of cash flows include transactions between the Health System and its component units.

Total current assets of UCHA include a receivable from affiliates that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS of \$2,470 and \$7,365 at June 30, 2017 and 2016, respectively, amounts due for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds of \$6,100, and \$0, respectively, \$4,224 and \$1,641 related to interest due on intercompany bonds from MHS, PVHS, and CD at June 30, 2017 and 2016, respectively, and \$147,794 and \$89,917 at June 30, 2017 and 2016, respectively, related to transactions between UCHA, the Health System, and other component units. Total current assets of PVHS include \$111,110 and \$60,815 at June 30, 2017 and 2016, respectively related to transactions between PVHS, the Health System, and other component units. Total current assets of MHS include \$8,630 and \$3,883 at June 30, 2017 and 2016, respectively related to transactions between PVHS, the Health System, and other component units.

Total non-current assets of UCHA include a receivable from MHS that is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets of \$329,271 and \$303,365 at June 30, 2017 and 2016, respectively. Total non-current assets of UCHA include a receivable from PVHS related to bond proceeds for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets of \$201,967 and \$215,485 at June 30, 2017 and 2016, respectively. Total non-current assets of UCHA include a receivable from CD related to bonds issued for the acquisition of capital assets of \$239,265 at June 30, 2017.

Total current liabilities of MHS at June 30, 2017 and 2016 include \$2,470 and \$7,365, respectively, due to UCHA for the Series 2012A proceeds related to the acquisition of MHS, and \$1,986 and \$1,531 related to accrued interest on bond proceeds. Total current liabilities of PVHS at June 30, 2017 include \$6,100 due to UCHA for the Series 2017B-2 proceeds related to the refinancing of PVHS Revenue Bonds. Total current liabilities of PVHS at June 30, 2017 and 2016 include a payable to affiliates of \$591 and \$109, respectively, related to accrued interest on bond proceeds. Total current liabilities of CD at June 30, 2017 include a payable to affiliates of \$1,647 related to accrued interest on bond proceeds. CD has a payable to affiliates that is comprised of amounts due to component units of \$246,753 and \$142,401 related to transactions between CD, the Health System and other component units at June 30, 2017 and 2016, respectively. The Health System has a payable to affiliates that is comprised of amounts due to component units of \$18,537 and \$7,679 related to transactions between the Health System and UCHA, PVHS, MHS and CD at June 30, 2017 and 2016, respectively.

Total non-current liabilities of MHS at June 30, 2017 and 2016 include a payable to affiliates of \$329,271 and \$303,365, respectively, which is comprised of amounts due for the Series 2012A proceeds related to the acquisition of MHS and bonds issued for the acquisition of capital assets. Total non-current liabilities of PVHS at June 30, 2017 and 2016 include a payable to affiliates of \$201,967 and \$215,485, respectively, which is comprised of amounts due to UCHA for the refinancing of PVHS Revenue Bonds and bonds issued for the acquisition of capital assets. Total non-current liabilities of CD at June 30, 2017 include a payable to affiliates of \$239,265, which is comprised of amounts due to UCHA for bonds issued for the acquisition of capital assets.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(15) Significant Transactions Between Component Units (continued)

The Health System and its component units effectively pool their investments within the Health System's pooled investment account structure, with each component unit of the Health System reflecting their respective portion of cash and investments on their balance sheets at June 30, 2017 and 2016. PVHS's portion of pooled cash at June 30, 2017 and 2016 was \$122,023 and \$29,361, respectively. PVHS's portion of pooled investments at June 30, 2017 and 2016 was \$1,231,086 and \$1,062,001, respectively. UCHA's portion of pooled cash at June 30, 2017 and 2016 was \$177,116 and \$43,458, respectively. UCHA's portion of pooled investments at June 30, 2017 and 2016 was \$1,786,913 and \$1,571,886, respectively. MHS's portion of pooled cash at June 30, 2017 and 2016 was \$9,831 and \$1,851, respectively. MHS's portion of pooled investments at June 30, 2017 and 2016 was \$99,187 and \$66,943, respectively.

(16) Related-Party Transactions

UCHA is affiliated with the State of Colorado; TriWest; University of Colorado Medicine ("CU Medicine"); Colorado Access; and the University, consisting of UCD, the Trust, and the Adult Clinical Research Center ("CRC").

(a) UCD

UCD and UCHA have developed an Institutional Master Plan (the "Master Plan") to create a new academic health sciences center over the next 20 to 50 years on the Anschutz Medical Campus. The Master Plan has been approved by the Regents, UCHA, and the Colorado Commission on Higher Education. The Regents and UCHA entered into a ground lease in 1998 for approximately 18.4 acres of the property acquired by the Regents pursuant to the quitclaim conveyance from the United States Department of Education. Subsequent agreements have been executed between these parties to provide additional land to UCHA, which has been used to continue development of the Anschutz Medical Campus. As a result, UCHA has expanded its facilities with an office tower, parking garage, inpatient towers, and additional staff and patient parking structures. As a result of continued growth, UCHA is currently building out shelled space to add 60 additional patient beds and four operating room suites to meet continued strong demand for its inpatient services.

Consistent with the joint planning process reflected in the Master Plan, the Regents and UCHA have agreed in the Fitzsimons Ground Lease that additional agreements will be necessary for development of the Anschutz Medical Campus. The Regents, Children's Hospital Colorado, and UCHA entered into an Amended and Restated Infrastructure Development and Maintenance Agreement effective July 1, 2004, which sets forth how the three parties will plan and construct infrastructure, share the cost of such planning and construction, and share in the related maintenance expenses of the infrastructure.

Under the operating agreement between the Regents of the University and UCHA dated July 1, 1991, the Regents have entered into contracts with UCHA for the provision of services in support of programs and operations of UCHA, including providing personnel, physical plant maintenance, and other general and administrative services. UCHA paid approximately \$59,638 and \$52,531 for these services, which are recorded in purchased services and other expenses in 2017 and 2016, respectively.

UCHA has also entered into contracts with the Regents for the provision of services to UCD, including clinic services, research projects, infrastructure expense, and other items. Reimbursements of approximately \$1,843 and \$2,031 were recognized in other operating revenue for these services during 2017 and 2016, respectively.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(16) Related Party Transactions (continued)

(a) UCD (continued)

UCHA leases certain employees to CRC at full cost and also provides overhead and ancillary services to CRC. Charges of approximately \$1,843 and \$2,031 were billed to CRC for the cost of these services during 2017 and 2016, respectively, and were recognized in other operating revenue. Amounts due from UCD, including CRC, were approximately \$298 and \$439 at June 30, 2017 and 2016, respectively, and are included in related-party receivables on the balance sheets. UCHA recorded amounts due to UCD of \$1,118 and \$1,147 at June 30, 2017 and 2016, respectively, for contract labor costs and School of Pharmacy support expenses.

Effective July 1, 2014, UCHHealth entered into a five-year academic support agreement with the University of Colorado School of Medicine. The agreement provides that UCHHealth make annual academic support donations to enhance the ability of the School of Medicine to fulfill its academic missions of educating students in health-related disciplines and professions and furthering basic and applied biomedical research. The academic support donation for the year ended June 30, 2017 is estimated at \$25,093. The amount paid for the academic support donation for the year ended June 30, 2016 was and \$25,687.

(b) TriWest

TriWest was formed to deliver healthcare services to eligible beneficiaries of TriCare within certain specified geographic regions. On June 27, 1996, TriWest was awarded the TriCare contract by the Department of Defense for a five-year period of healthcare service delivery, which began in April 1997. UCHA entered into certain provider and network management agreements with TriWest in 1996. TriWest lost its contract with the Department of Defense when the contract was awarded to United Healthcare during the year ended June 30, 2012. The new contract awarded to United Healthcare involved a one-year transition period starting April 1, 2013. TriWest is reviewing its business plan regarding this event and is building its future strategy.

UCHA purchased a minority interest in TriWest for approximately \$3,300. In October 2007, UCHA sold 1,656.55 shares for approximately \$18,053 to TriWest. After the sale, CU Medicine had a 60% share of UCHA's minority interest in TriWest. In March 2014, TriWest restructured its ownership resulting in UCHA and CU Medicine selling their stock back to TriWest and receiving new stock valued at \$9,250.

UCHA's investment is accounted for under the cost method and is valued at approximately \$6,000 at June 30, 2017 and 2016.

(c) CU Medicine

During the years ended June 30, 2017 and 2016, UCHHealth recognized approximately \$72,343 and \$41,553, respectively, in contract expense to CU Medicine for contractual reimbursement of faculty administrative services and recruitment support. UCHA also recognized expenses of approximately \$42,343 and \$42,640 during the years ended June 30, 2017 and 2016, respectively, that represent reimbursements channeled through UCHA by external entities for services provided by CU Medicine on behalf of those external entities (e.g., Ryan White program) and for reimbursements for hospital-based programs for services provided by CU Medicine on behalf of UCHA (e.g., on-call services, joint networking, administrative, and other miscellaneous programs).

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(16) Related Party Transactions (continued)

(c) CU Medicine (continued)

UCHealth recorded net payables to CU Medicine of \$4,381 and \$1,817 at June 30, 2017 and 2016, respectively, for various contract labor and provider support expenses and TriWest pass-through balances.

UCHA has entered into a joint operating agreement with CU Medicine to establish an imaging center located in Denver, Colorado. The imaging center provides 3T MRI imaging services to UCHA's patients and is operated on the terms set forth in the agreement. Capital contributions and division of revenue and expenses will be split between the two organizations as defined within the agreement.

(d) The Children's Hospital

In July 2010, UCHA began a joint maternal fetal program in conjunction with Children's Hospital Colorado ("CHCO") to establish a center for advanced maternal fetal medicine offering state-of-the-art care for high-risk pregnant women and their babies. The program is defined in an operating agreement that details the cost and revenue sharing between the two hospitals. UCHA has recorded a related-party payable to CHCO at June 30, 2017 and 2016, of \$17,508 and \$11,566, respectively.

Effective October 1, 2012, a sublease was executed with CHCO to operate the pediatric units located at Memorial Health System and was valued at 15% of the organization. CHCO paid the corresponding amount of the upfront payment and continues to pay its percentage of the ongoing lease payments to the City. On June 4, 2015, MHS became the licensed operator of the pediatric services and certain provisions of the sublease were temporarily suspended and replaced by a Management Services Agreement and Employee Lease between MHS and CHCO. It is anticipated that the original provisions of the lease will be reinstated in fiscal year 2019. Included in other receivables is \$1,284 and \$807 at June 30, 2017 and 2016, respectively, for the current portion of the sublease receivable from CHCO and related accrued interest. Included in other non-current assets is \$15,198 at June 30, 2017 and 2016, for the long-term portion of the sublease receivable from CHCO. Included in other current liabilities at June 30, 2017 and 2016 are \$1,158 and \$967, respectively, due to CHCO for contract labor costs for the work of CHCO employees in MHS units. MHS also provides services for CHCO patients, MHS employees periodically perform contract labor work on the pediatric units on behalf of CHCO, and MHS purchases certain supplies for the pediatric units on behalf of CHCO. MHS has a receivable from CHCO of \$95 and \$86 at June 30, 2017 and 2016, respectively. Revenue received by MHS for services provided to CHCO patients totaled \$80 for the year ended June 30, 2016.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements
June 30, 2017 and 2016
(\$s in thousands)

(16) Related Party Transactions (continued)

(e) VEBA Trust

On July 1, 2010, UCHA entered into an agreement with CU Medicine and the Regents to begin a self-insurance trust known as the Colorado Health and Welfare Trust (the “VEBA Trust”) for the benefit of eligible employees of the University, CU Medicine, and UCHA and their eligible dependents, including employees of UCHA at MHS. The VEBA Trust is managed by a third-party administrator and provides healthcare coverage for eligible employees of the three organizations. The VEBA Trust also manages the healthcare flexible spending plans of the three organizations. The VEBA Trust functions as a retrospectively rated contract in which the initial premium is adjusted based on actual experience. For the years ended June 30, 2017 and 2016, UCHealth expensed initial premiums of approximately \$189,508 and \$156,768, respectively, to the VEBA Trust. At June 30, 2017 and 2016, UCHealth recorded liabilities of approximately \$10,118 and \$8,290, respectively, for its share of costs in excess of initial premiums expensed. The amount of costs in excess of initial premiums expensed is estimated by management based on an analysis of historical claims development combined with available information on current year experience. Actual results could differ from those estimates.

(f) UCHealth Partners, LLC

UCHealth owns a 50.1% interest in UCHealth Partners, LLC. UCHealth also provides certain shared services, management services, and leased employee arrangements to UCHealth Partners, LLC. UCHealth recognized \$1,965 and \$713 for the years ending June 30, 2017 and 2016, respectively, in revenues from providing these services to UCHealth Partners, LLC, and recognized \$11,026 and \$585 for the years ending June 30, 2017 and 2016, respectively, in salary cost recovery for the leased employee arrangements. Included in other receivables are \$7,592 and \$1,277, respectively for amounts owed to UCHealth under these arrangements.

(g) Other Related Parties

UCHA and two other entities participate as members in Colorado Access, a Colorado not-for-profit corporation that owns and operates a statewide health maintenance organization that serves Medicaid patients. There are no earnings distribution agreements between Colorado Access and UCHA. Requests for financial information for Colorado Access should be addressed to Colorado Access, President and CEO, 10065 East Harvard Avenue, Suite 600, Denver, Colorado 80231.

In August 2001, UCHA entered into an agreement to loan Colorado Access \$625. The principal and interest were due on or before August 24, 2004. The interest rate is equal to the Federal Reserve Bank of New York’s prime rate on August 24 of each year that the principal amount is outstanding. The principal and accrued interest amounts are included in related-party receivables on the balance sheets. Colorado Access is unable to specify a timeline for repayment of this loan as a result of current negotiations with the Colorado Division of Insurance regarding steps to be taken to achieve required levels of risk-based capital. The outstanding loan balance has been transferred to UCHealth.

UNIVERSITY OF COLORADO HEALTH

Notes to Basic Financial Statements June 30, 2017 and 2016 (\$s in thousands)

(17) Commitments and Contingencies

A substantial portion of the Health System's revenue is received under contractual arrangements with Medicare, Medicaid, and the military and other governmental programs. Payments from these payors are based on a combination of prospectively determined rates and retrospectively settled cost reimbursement. Final settlement of the amounts due to the Health System or payable to the payors is subject to the laws and regulations governing these programs and post-payment audits that may result in further adjustments by the payors. Additionally, these payments are subject to other routine post-payment reviews, audits, and investigations that may result in refunds, repayments, or other financial settlements. Specific accruals related to such contractual arrangements are included in the basic financial statements.

UCHealth has entered into contracts for significant new construction and expansion projects it is currently undertaking. At June 30, 2017, UCHealth has committed contract expenditures for these significant projects of \$490,938.

At June 30, 2017, UCHealth has outstanding letters of credit totaling \$14,419.

(18) Subsequent Events

The Health System has evaluated subsequent events through the auditors' report date.

Effective September 1, 2017, UCHealth entered into an Integration and Affiliation Agreement with Yampa Valley Medical Center (YVMC) for UCHealth to become the sole member of YVMC in return for a contribution to the Yampa Valley Medical Center Foundation of \$20,000 and certain future capital and strategic spending commitments.

REQUIRED SUPPLEMENTARY INFORMATION

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
(\$s in thousands)

Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	\$ 63,156	\$ 57,110	\$ 49,411	\$ 50,305	\$ 38,706
Interest	50,527	44,575	37,092	29,718	25,456
Plan changes	-	-	10,490	-	-
Difference in expected and actual experience	2,020	4,388	15,584	-	(9,722)
Changes in assumptions	-	(6,213)	37,858	-	20,164
Benefits payments	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Other	-	714	(713)	-	-
Net change in total pension liability	96,239	86,527	137,534	70,202	66,241
Total pension liability - beginning	729,530	643,003	505,469	435,267	369,026
Total pension liability - ending (a)	<u>\$ 825,769</u>	<u>\$ 729,530</u>	<u>\$ 643,003</u>	<u>\$ 505,469</u>	<u>\$ 435,267</u>
Plan fiduciary net position					
Contributions - employer	\$ 74,356	\$ 68,000	\$ 66,184	\$ 56,311	\$ 45,310
Net investment income (loss)	78,610	(476)	12,212	56,354	31,947
Benefits payments	(19,464)	(14,047)	(12,188)	(9,821)	(8,363)
Administrative expense	(1,746)	(1,464)	(1,453)	(794)	(543)
Net change in plan fiduciary net position	131,756	52,013	64,755	102,050	68,351
Plan fiduciary net position - beginning	578,346	526,333	461,578	359,528	291,177
Plan fiduciary net position - ending (b)	<u>\$ 710,102</u>	<u>\$ 578,346</u>	<u>\$ 526,333</u>	<u>\$ 461,578</u>	<u>\$ 359,528</u>
UC Health's net pension liability - ending (a) - (b)	<u>\$ 115,667</u>	<u>\$ 151,184</u>	<u>\$ 116,670</u>	<u>\$ 43,891</u>	<u>\$ 75,739</u>
Plan fiduciary net position	86.0%	79.3%	81.9%	91.3%	82.6%
Covered employee payroll	\$ 1,059,420	\$ 940,375	\$ 862,612	\$ 807,135	\$ 584,097
Net pension liability as a percentage of covered payroll	10.9%	16.1%	13.5%	5.4%	13.0%

Note to Schedule:

Changes of assumptions – Based on the results of an experience study, retirement and termination rates, salary increase rates, and the assumption regarding election of form of payment upon retirement were updated in 2013. These changes increased the present value of projected benefits by \$20,164.

The assumed rates of mortality were updated in 2015 based on adopting the RP-2014 mortality tables. This change decreased the present value of projected benefits by \$6,213 in 2016. This change increased the present value of projected benefits by \$37,858 and increased the actuarially determined contribution by \$8,306 in 2016.

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
(\$s in thousands)

Schedule of Contributions (Last 10 Fiscal Years)

	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	\$ 74,356	\$ 74,356	\$ -	\$ 1,059,420	7.02%
2016	\$ 67,969	\$ 68,000	\$ (31)	\$ 940,375	7.23%
2015	\$ 66,184	\$ 66,184	\$ -	\$ 862,612	7.67%
2014	\$ 56,311	\$ 56,311	\$ -	\$ 807,135	6.98%
2013	\$ 45,310	\$ 45,310	\$ -	\$ 584,097	7.76%
2012	\$ 26,398	\$ 26,398	\$ -	\$ 256,158	10.31%
2011	\$ 20,101	\$ 20,101	\$ -	\$ 236,621	8.50%
2010	\$ 19,182	\$ 19,182	\$ -	\$ 219,877	8.72%
2009	\$ 16,265	\$ 23,600	\$ (7,335)	\$ 196,729	12.00%
2008	\$ 16,109	\$ 16,109	\$ -	\$ 189,958	8.48%

Notes to Schedule

Valuation Date Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age Normal, Level Percent of Pay

Amortization method Straight Line

Asset valuation method Fair Value

Investment rate of return 7.0%, includes inflation at 2.5%

Projected salary increases 3.6% to 6.5%

Cost of living adjustments 2.5%

Mortality In the 2016 and 2015 actuarial valuation, mortality rates were based on the RP-2014 mortality table. In prior years, those assumptions were based on the RP-2000 mortality table.

Other information:

In October 2012 and January 2013, employees of Memorial Hospital and Poudre Valley Hospital, respectively, were eligible to join the Basic Pension Plan.

UNIVERSITY OF COLORADO HEALTH

June 30, 2017 and 2016
(\$s in thousands)

Schedule of Pension Plan Investment Returns

<u>Year Ending June 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	13.10%
2016	-0.90%
2015	2.40%
2014	15.00%
2013	10.60%
2012	-0.60%
2011	21.90%
2010	12.20%
2009	-15.90%
2008	-4.00%

SUPPLEMENTARY INFORMATION

UNIVERISTY OF COLORADO HEALTH

Combining Balance Sheet

June 30, 2017

(\$s in thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Community Division	University of Colorado Health	Obligated Group Eliminations	Obligated Group Consolidated	Lakota Lake, LLC	UChHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Assets												
Current assets												
Cash and cash equivalents	\$ 177,167	\$ 122,081	\$ 13,132	\$ 3,420	\$ -	\$ -	\$ 315,800	\$ -	\$ 2,425	\$ 5,816	\$ -	\$ 324,041
Patient accounts receivable, net of allowances for uncollectible accounts	202,106	117,733	85,735	6,443	-	-	412,017	-	-	-	-	412,017
Other receivables	3,500	4,799	5,657	7,344	2,721	(5,464)	18,557	-	182	7,663	-	26,402
Receivables from affiliates	147,790	90,769	8,630	-	-	(244,983)	2,206	23,292	-	9,809	(35,307)	-
Inventories	32,855	18,304	13,997	1,215	-	-	66,371	-	-	-	-	66,371
Prepaid expenses	17,975	8,064	8,011	114	16,086	-	50,250	-	31	15	-	50,296
Investments designated for liquidity support	108,710	-	-	-	-	-	108,710	-	-	-	-	108,710
Total current assets	690,103	361,750	135,162	18,536	18,807	(250,447)	973,911	23,292	2,638	23,303	(35,307)	987,837
Non-current assets												
Restricted investments, bonds	11,464	30,299	9,739	93,863	-	-	145,365	-	-	-	-	145,365
Restricted investments, other	44	265	44	527	651	-	1,531	-	-	-	-	1,531
Restricted investments and pledges, donors	3,771	-	-	-	146	-	3,917	-	-	39,160	-	43,077
Capital assets, net of accumulated depreciation	864,952	439,871	334,319	280,026	75,084	-	1,994,252	-	43	378	-	1,994,673
Long-term investments	1,678,203	1,233,132	99,187	-	-	-	3,010,522	-	-	7,775	-	3,018,297
Long-term receivables from affiliates	770,503	-	-	-	-	(770,503)	-	-	-	-	-	-
Other investments	7,217	40,733	2,110	75,686	5,995	(1,519)	130,222	7,601	-	1,456	(38,344)	100,935
Long-term prepaid expenses	-	8,898	-	-	-	-	8,898	-	-	-	-	8,898
Other assets	1,930	4,749	16,693	144	938	-	24,454	-	-	(52)	-	24,402
Total non-current assets	3,338,084	1,757,947	462,092	450,246	82,814	(772,022)	5,319,161	7,601	43	48,717	(38,344)	5,337,178
Total assets	4,028,187	2,119,697	597,254	468,782	101,621	(1,022,469)	6,293,072	30,893	2,681	72,020	(73,651)	6,325,015
Deferred Outflows of Resources												
Deferred amortization on refundings	6,241	178	-	-	-	-	6,419	-	-	-	-	6,419
Deferred amortization of pension	16,355	7,729	7,672	(324)	865	-	32,297	-	-	-	-	32,297
Deferred amortization on acquisitions	-	-	5,744	9,168	-	-	14,912	-	-	-	-	14,912
Total deferred outflows of resources	22,596	7,907	13,416	8,844	865	-	53,628	-	-	-	-	53,628
Total assets and deferred outflows of resources	\$ 4,050,783	\$ 2,127,604	\$ 610,670	\$ 477,626	\$ 102,486	\$ (1,022,469)	\$ 6,346,700	\$ 30,893	\$ 2,681	\$ 72,020	\$ (73,651)	\$ 6,378,643
Liabilities and Net Position												
Current liabilities												
Current portion of long-term debt	\$ 23,553	\$ 3,281	\$ 2,627	\$ -	\$ 192	\$ -	\$ 29,653	\$ -	\$ -	\$ -	\$ -	\$ 29,653
Accounts payable and accrued expenses	114,344	83,286	52,373	13,349	60,381	(5,464)	318,269	-	145	2,065	-	320,479
Accounts payable - construction	3,546	1,410	3,615	32,699	87	-	41,357	-	-	-	-	41,357
Accrued compensated absences	24,644	21,040	13,990	1,469	11,413	-	72,556	-	111	37	-	72,704
Payables to affiliates	-	6,691	4,456	248,400	18,537	(244,983)	33,101	-	2,206	-	(35,307)	-
Accrued interest payable	6,421	3,754	-	-	24	-	10,199	-	-	-	-	10,199
Fair value of derivative instruments	3,368	-	-	-	-	-	3,368	-	-	-	-	3,368
Estimated third-party settlements, net	120,740	32,188	61,781	-	-	-	214,709	-	-	-	-	214,709
Long-term debt subject to short-term remarketing	108,710	-	-	-	-	-	108,710	-	-	-	-	108,710
Total current liabilities	405,326	151,650	138,842	295,917	90,634	(250,447)	831,922	-	2,462	2,102	(35,307)	801,179
Long-term liabilities												
Long-term debt, less current portion	1,377,697	233,417	95,936	-	3,661	-	1,710,711	-	-	-	-	1,710,711
Long-term payables to affiliates	-	201,967	329,272	239,264	-	(770,503)	-	-	-	-	-	-
Fair value of derivative instruments, less current portion	23,383	-	-	-	3,990	-	27,373	-	-	-	-	27,373
Net pension liability	92,909	12,002	7,321	(161)	3,596	-	115,667	-	-	-	-	115,667
Other long-term liabilities	2,534	3,655	2,281	313	1,542	-	10,325	-	18	3	-	10,346
Total liabilities	1,901,849	602,691	573,652	535,333	103,423	(1,020,950)	2,695,998	-	2,480	2,105	(35,307)	2,665,276
Deferred Inflows of Resources												
Deferred amortization of pension	4,719	(742)	2,690	87	(937)	-	5,817	-	-	-	-	5,817
Total deferred inflows of resources	4,719	(742)	2,690	87	(937)	-	5,817	-	-	-	-	5,817
Total liabilities and deferred inflows of resources	1,906,568	601,949	576,342	535,420	102,486	(1,020,950)	2,701,815	-	2,480	2,105	(35,307)	2,671,093
Net position												
Invested in capital assets, net of related debt	130,563	2,859	(99,556)	8,589	71,795	-	114,250	-	43	378	-	114,671
Restricted												
Expendable												
Held by trustee for debt service	11,464	30,299	9,739	93,863	-	-	145,365	-	-	-	-	145,365
Restricted by donors	-	-	25	-	-	-	25	-	-	16,427	-	16,452
Non-expendable												
Permanent endowments	-	-	-	-	-	-	-	-	-	27,989	-	27,989
Minority interest in component unit	-	22,729	-	-	-	-	22,729	-	-	-	1,977	24,706
Unrestricted	2,002,188	1,469,768	124,120	(160,246)	(71,795)	(1,519)	3,362,516	30,893	158	25,121	(40,321)	3,378,367
Net position	2,144,215	1,525,655	34,328	(57,794)	-	(1,519)	3,644,885	30,893	201	69,915	(38,344)	3,707,550
Total liabilities and net position	\$ 4,050,783	\$ 2,127,604	\$ 610,670	\$ 477,626	\$ 102,486	\$ (1,022,469)	\$ 6,346,700	\$ 30,893	\$ 2,681	\$ 72,020	\$ (73,651)	\$ 6,378,643

UNIVERSITY OF COLORADO HEALTH

Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2017

(\$s in thousands)

	University of Colorado Hospital Authority	Poudre Valley Health System Obligated Group	Memorial Health System	Community Division	Obligated Group Eliminations	Obligated Group Consolidated	Lakota Lake, LLC	UHealth Plan Administrators	Other	Other Eliminations	University of Colorado Health Consolidated
Operating revenue											
Net patient service revenue, net of provision for bad debts	\$ 1,623,588	\$ 1,157,168	\$ 781,425	\$ 38,128	\$ -	\$ 3,600,309	\$ -	\$ -	\$ -	\$ -	\$ 3,600,309
Other operating revenue	22,454	28,492	17,032	(2,723)	(1,329)	63,926	7,868	201	2,698	(6,726)	67,967
Total operating revenue	1,646,042	1,185,660	798,457	35,405	(1,329)	3,664,235	7,868	201	2,698	(6,726)	3,668,276
Operating expenses											
Wages, contract labor, and benefits	556,330	524,581	385,817	45,702	-	1,512,430	-	-	2,355	(79)	1,514,706
Supplies	385,460	221,233	148,876	6,475	-	762,044	-	-	27	-	762,071
Purchased services and other expenses	370,990	171,990	166,019	12,724	(1,329)	720,394	-	-	5,916	(3,310)	723,000
Depreciation and amortization	77,917	54,401	38,303	3,559	-	174,180	-	-	97	-	174,277
Total operating expenses	1,390,697	972,205	739,015	68,460	(1,329)	3,169,048	-	-	8,395	(3,389)	3,174,054
Operating income	255,345	213,455	59,442	(33,055)	-	495,187	7,868	201	(5,697)	(3,337)	494,222
Non-operating revenue and expenses:											
Interest expense	(35,420)	(15,887)	(15,431)	(3,220)	19,103	(50,855)	-	-	(119)	119	(50,855)
Investment income	208,710	131,269	10,295	241	(19,103)	331,412	-	-	3,817	(119)	335,110
Unrealized loss on derivative investment	14,413	(3,237)	869	-	-	12,045	-	-	-	-	12,045
Gain (loss) on disposal of capital assets	1,281	(604)	(322)	(25)	-	330	-	-	(3)	-	327
Other, net	(15,718)	(11,705)	(11,425)	(337)	-	(39,185)	-	-	1,479	(1,555)	(39,261)
Total non-operating revenue and expenses	173,266	99,836	(16,014)	(3,341)	-	253,747	-	-	5,174	(1,555)	257,366
Excess of revenue over expenses before distributions and contributions	428,611	313,291	43,428	(36,396)	-	748,934	7,868	201	(523)	(4,892)	751,588
(Distributions to) contributions from minority interest in component unit	-	(7,184)	-	-	-	(7,184)	-	-	2,500	-	(4,684)
Contributions from affiliates	-	-	-	-	-	-	-	-	7,500	(7,500)	-
Contributions restricted for capital assets	-	1,102	-	-	-	1,102	-	-	10	(1,102)	10
Contributions restricted, other	(344)	-	273	13	-	(58)	-	-	4,442	(368)	4,016
Change in net position	428,267	307,209	43,701	(36,383)	-	742,794	7,868	201	13,929	(13,862)	750,930
Net position, beginning of year	1,715,948	1,218,446	(9,373)	(21,411)	(1,519)	2,902,091	23,025	-	55,986	(24,482)	2,956,620
Net position, end of year	\$ 2,144,215	\$ 1,525,655	\$ 34,328	\$ (57,794)	\$ (1,519)	\$ 3,644,885	\$ 30,893	\$ 201	\$ 69,915	\$ (38,344)	\$ 3,707,550

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**UNIVERSITY OF COLORADO HEALTH UNAUDITED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2018**

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UNAUDITED
UNIVERSITY OF COLORADO HEALTH
Balance Sheets
March 31, 2018 and 2017
(In thousands)

	March 31, 2018	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 305,573	\$ 233,762
Patient accounts receivable, less allowances for uncollectible accounts of \$389,906 and \$323,908 , respectively	497,228	418,968
Receivables from related parties	12,905	6,193
Other receivables	13,295	11,421
Inventories	81,178	63,066
Prepaid expenses	59,707	52,532
Investments designated for liquidity support	102,315	114,255
Total current assets	<u>1,072,202</u>	<u>900,197</u>
Non-current assets:		
Restricted investments, bonds	61,181	188,707
Restricted investments, other	2,508	1,506
Receivables and investments restricted by donors	46,092	44,548
Capital assets, net of accumulated depreciation	2,300,880	1,937,106
Long-term investments	3,408,665	2,902,210
Other investments	68,302	93,007
Long-term prepaid expenses	8,545	9,015
Other assets	26,046	27,605
Total non-current assets	<u>5,922,219</u>	<u>5,203,704</u>
Total assets	<u><u>6,994,421</u></u>	<u><u>6,103,901</u></u>
Deferred Outflows of Resources		
Deferred amortization on refundings	6,087	6,533
Deferred amortization of pension assumptions	23,826	60,984
Deferred outflows, other	13,903	15,421
Total deferred outflows of resources	<u>43,816</u>	<u>82,938</u>
Total assets and deferred outflows of resources	<u><u>7,038,237</u></u>	<u><u>6,186,839</u></u>

Liabilities

Current liabilities:

Current portion of long-term debt	\$ 30,042	\$ 29,531
Accounts payable and accrued expenses	389,910	296,766
Accounts payable—construction	59,950	20,226
Accrued compensated absences	80,949	71,348
Accrued interest payable	17,008	11,279
Fair value of derivative instruments	3,368	4,256
Estimated third-party settlements, net	228,742	220,559
Long-term debt subject to short-term remarketing	102,315	114,255
Total current liabilities	912,284	768,220

Long-term liabilities:

Long-term debt, less current portion	1,683,367	1,708,281
Fair value of swap agreements	16,181	24,479
Other long-term liabilities	126,970	159,424
Total liabilities	2,738,802	2,660,404

Deferred Inflows of Resources

Deferred amortization related to pension plan	4,073	3,397
Total deferred inflows of resources	4,073	3,397
Total liabilities and deferred inflows of resources	2,742,875	2,663,801

Net Position

Invested in capital assets, net of related debt	436,259	75,363
Restricted		
Expendable		
Held by trustee for debt service	61,181	75,363
Restricted by donors	38,311	16,646
Non-expendable		
Permanent endowments	28,012	27,940
Minority interest in component unit	30,422	27,079
Unrestricted	3,701,177	3,300,646
Total net position	4,295,362	3,523,037

Total liabilities, deferred inflows of resources, and net position	\$ 7,038,237	\$ 6,186,838
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UNAUDITED
UNIVERSITY OF COLORADO HEALTH
Summary of Revenue, Expenses, and Changes in Net Position
Nine months ended March 31, 2018 and 2017
(In thousands)

	Nine Months Ended March 31, 2018	2017
Operating revenue:		
Net patient service revenue, net of provision for bad debts of \$148,601 and \$111,430, respectively	\$ 3,114,989	\$ 2,654,850
Grant Revenue	2,596	2,730
Other operating revenue	58,854	43,090
Total operating revenue	<u>3,176,439</u>	<u>2,700,670</u>
Operating expenses:		
Wages, contract labor, and benefits	1,331,999	1,123,753
Supplies	666,242	565,347
Purchased services and other expenses	648,191	520,707
Depreciation and amortization	147,707	128,154
Total operating expenses	<u>2,794,138</u>	<u>2,337,961</u>
Operating income	<u>382,301</u>	<u>362,709</u>
Non-operating revenue and expenses:		
Interest expense	(40,046)	(37,959)
Investment income	232,361	268,810
Loss on disposal of capital assets	(231)	313
Other, net	(28,853)	(27,926)
Total non-operating revenue and expenses	<u>163,231</u>	<u>203,238</u>
Income before distributions and contributions	545,532	565,947
Distributions to minority interest	(4,059)	(3,253)
Contributions restricted for capital assets	12	10
Contributions restricted, other	2,854	3,713
Acquisition of Interest in Component Units	43,473	
Change in net position	<u>587,812</u>	<u>566,417</u>
Total net position, beginning of period	<u>3,707,550</u>	<u>2,956,620</u>
Total net position, end of period	<u>\$ 4,295,362</u>	<u>\$ 3,523,037</u>

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APPENDIX C

SUMMARIES OF THE 2018B BOND INDENTURE, THE 2018C INDENTURE AND THE MASTER INDENTURE

Brief descriptions of the 2018B Bond Indenture, the 2018C Bond Indenture and the Master Indenture are included in this Appendix C. Such descriptions do not purport to be comprehensive or definitive. All references herein to the 2018B Bond Indenture, the 2018C Bond Indenture and the Master Indenture (defined under the captions “THE 2018B BOND INDENTURE,” “THE 2018C BOND INDENTURE” and “THE MASTER INDENTURE”) are qualified in their entirety by reference to such documents, draft copies of which are available for review prior to the issuance and delivery of the Bonds at the principal office of the Bond Trustee and final copies of which will thereafter be available for inspection at the principal office of the Bond Trustee.

THE 2018B BOND INDENTURE

Definitions

The following are definitions of certain terms used in the 2018B Bond Indenture and under this caption “THE 2018B BOND INDENTURE.”

“Act” means Section 23-21-501, et seq., Colorado Revised Statutes, as the same may be amended from time to time.

“*Alternate Liquidity Facility*” means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility issued by a commercial bank, insurance company, pension fund or other institution and delivered to the Tender Agent in accordance with the 2018B Bond Indenture which replaces the Liquidity Facility then in effect; provided, however, that any amendment, extension, renewal or substitution of the Liquidity Facility then in effect for the purpose of extending the Expiration Date of such Liquidity Facility or modifying such Liquidity Facility pursuant to its terms (but not including any modification to the conditions to purchase or the automatic termination or suspension events) will not be deemed to be an Alternate Liquidity Facility for purposes of the Bond Indenture.

“*Authority*” means the University of Colorado Hospital Authority and its successors and assigns.

“*Authorized Representative of the Authority*,” “*Authorized Representative of the Obligated Group Representative*” or “*Authorized Representative*” means the Chief Executive Officer, the Chief Financial Officer and the Secretary to the Board of Directors and General Counsel of the Authority or the Obligated Group Representative, respectively, and, when used with reference to an act or document, also means any other person authorized by resolution or by the bylaws of the Authority or the Obligated Group Representative, respectively, to perform such act or sign such document.

“*Bond Counsel*” means Kutak Rock LLP or any other attorney at law or firm of attorneys selected by the Authority or the Obligated Group Representative of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Interest Term” means, with respect to any Series 2018B Bond, each period established in accordance with the 2018B Bond Indenture during which such Series 2018B Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” means, with respect to each Series 2018B Bond, an interest rate on such Series 2018B Bond established periodically in accordance with the 2018B Bond Indenture.

“Bond Purchase Fund” means the fund by that name established pursuant to the 2018B Bond Indenture.

“Bond Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, as trustee under the 2018B Bond Indenture, and any of its successors and assigns thereunder.

“Bonds” or *“Series 2018B Bonds”* means the University of Colorado Hospital Authority Refunding Revenue Bonds, Series 2018B, as authorized by, and at any time Outstanding pursuant to the 2018B Bond Indenture.

“Business Day” means any day (a) on which banks located in (i) New York, New York, (ii) the city in which the Principal Office of the Bond Trustee is located (initially Minneapolis, Minnesota) and (iii) the city in which draft or draw notices for payment under any Liquidity Facility are required to be presented, are not required or authorized to be closed and (b) on which The New York Stock Exchange is open.

“Certificate,” “Statement,” “Request” and *“Requisition”* of the Authority or the Obligated Group Representative means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority or the Obligated Group Representative, respectively by an Authorized Representative of the Authority or the Obligated Group Representative, respectively. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

“Commercial Paper Interest Rate Period” means each period with respect to the Series 2018B Bonds, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“Conversion” means a conversion of the Series 2018B Bonds (1) from one Interest Rate Period to another Interest Rate Period, (2) from one Long-Term Interest Rate Period to another Long-Term Interest Rate Period or (3) from one Index Floating Interest Rate Period to another Index Floating Interest Rate Period.

“Conversion Date” means the effective date of a Conversion of the Series 2018B Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to the 2018B Bond Indenture.

“Date of Issuance” means July 26, 2018.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Eligible Bonds” means any Series 2018B Bonds other than Liquidity Facility Bonds or Series 2018B Bonds owned by, for the account of, or on behalf of, the Authority or any Member.

“Escrow Agent” means Wells Fargo Bank, National Association as the Refunded Bonds Trustee, acting as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the 2005A/B/C Escrow Agreement, dated as of July 1, 2018, among the Colorado Health Facilities Authority, Poudre Valley Health Care, Inc., Medical Center of the Rockies, the Authority, University of Colorado Health and the Escrow Agent.

“Event of Default” means any of the events specified in the provisions of the 2018B Bond Indenture described herein under the caption “THE 2018B BOND INDENTURE—Events of Default.”

“Expiration Date” means (i) the date upon which a Liquidity Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Liquidity Facility, from time to time) in accordance with its terms, including without limitation termination upon delivery of an Alternate Liquidity Facility to the Tender Agent and (ii) the date upon which a Liquidity Facility terminates following voluntary termination by the Obligated Group Representative in connection with a change to a Self-Liquidity Arrangement pursuant to the 2018B Bond Indenture.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Authority, the Obligated Group Representative, the Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of Colorado and the 2018B Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Funding Amount” means the amount of funds, if any, required to be transferred to the Tender Agent for the purpose of paying the Purchase Price of Purchased Series 2018B Bonds on any Purchase Date, which shall be the amount, if any, by which the total Purchase Price of such Purchased Series 2018B Bonds exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account.

“Funds” means the Cost of Issuance Fund, the Revenue Fund, the Redemption Fund, the Bond Purchase Fund and the Rebate Fund.

“Holder” or *“Bondholder,”* whenever used with respect to a Series 2018B Bond, means the Person in whose name such Series 2018B Bond is registered.

“Index Floating Interest Rate” means a variable interest rate on the Series 2018B Bonds established in accordance with the 2018B Bond Indenture.

“Index Floating Interest Rate Period” means each period during which an Index Floating Interest Rate is in effect.

“Initial Liquidity Facility” means the Standby Bond Purchase Agreement dated as of July 1, 2018, among University of Colorado Health, the Bond Trustee, the Tender Agent and the Initial Liquidity Facility Provider, as supplemented, amended and extended.

“Initial Liquidity Facility Provider” means TD Bank, N.A., and its permitted successors and assigns.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the 2018B Bond Indenture.

“Interest Accrual Date” means, (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period (whether or not a Business Day), except that the first two Interest Accrual Dates shall be the Date of Issuance of the Bonds and the first Wednesday of August, 2018.

“Interest Payment Date” means (i) with respect to any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day (the first Interest Payment Date for the Series 2018B Bonds is August 1, 2018); (ii) with respect to any Long-Term Interest Rate Period, each May 15 and November 15; (iii) with respect to any Bond Interest Term, the day next succeeding the last day thereof; (iv) with respect to any Index Floating Interest Rate Period, the first Business Day of each calendar month; (v) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and, (vi) with respect to any Liquidity Facility Bonds, the dates set forth in the applicable Liquidity Facility.

“Interest Rate Period” means a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, an Index Floating Interest Rate Period, or a Long-Term Interest Rate Period.

“Investment Securities” means any of the following which at the time of investment are legal investments under the laws of the State of Colorado for the moneys proposed to be invested therein:

(i) Bonds or obligations of counties, municipal corporations, school districts, political subdivisions, authorities, bodies of the State or organizations described in Section 501(c)(3) of the Code;

(ii) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(iii) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(iv) Bonds or other obligations issued by any Public Housing Agency or Municipal Corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States Government;

(v) Certificates of deposit of national or state banks located within the state which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within this state which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of New York, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within this state, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess; direct and general obligations of this state or of any county or municipal corporation in this state, obligations of the United States or subsidiary corporations included in paragraph (ii) hereof, obligations of the agencies of the United States Government included in paragraph (iii) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (iv) hereof;

(vi) Repurchase agreements with respect to obligations included in (i), (ii), (iii), (iv) or (v) above and any other investments to the extent at the time permitted by then applicable law for the investment of public funds;

(vii) Securities of or other interests (including those offered or managed by the Bond Trustee or its affiliates) in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(a) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraph (ii) hereof and repurchase agreements fully collateralized by any such obligations;

(b) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(c) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(d) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State of Colorado; and

(viii) Corporate debt obligations issued in the United States capital markets by United States companies and rated at the time of purchase in one of the three highest rating categories without giving effect to any gradations within such categories, by at least two nationally recognized securities rating agencies.

“Liquidity Facility” means the Initial Liquidity Facility or, in the event of the delivery of an Alternate Liquidity Facility, such Alternate Liquidity Facility delivered to the Tender Agent in accordance with the 2018B Bond Indenture.

“Liquidity Facility Account” means the account by that name in the Bond Purchase Fund established pursuant to the 2018B Bond Indenture.

“Liquidity Facility Bonds” means Series 2018B Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Series 2018B Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

“Liquidity Facility Provider” means the commercial bank, insurance company, pension fund or other institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect, including the Initial Liquidity Facility Provider in the case of the Initial Liquidity Facility.

“Liquidity Facility Rate” means the rate per annum, if any, specified in a Liquidity Facility as applicable to Liquidity Facility Bonds. While the Initial Liquidity Facility is in effect, the Liquidity Facility Rate shall be the “Bank Rate” as set forth and defined in the Initial Liquidity Facility.

“Long-Term Interest Rate” means, with respect to the Series 2018B Bonds, an interest rate established in accordance with the 2018B Bond Indenture.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect for the Series 2018B Bonds.

“Mandatory Liquidity Tender” means the mandatory tender of the Series 2018B Bonds pursuant to the 2018B Bond Indenture upon receipt by the Bond Trustee of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility providing for the purchase of such Series of Bonds has occurred which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility or cause a mandatory tender of the Series 2018B Bonds upon the designated notice. Mandatory Liquidity Tender shall not include circumstances, if any, where the Liquidity Facility Provider may suspend or terminate its obligations to purchase the Series 2018B Bonds without notice, in which case there will be no mandatory tender.

“Master Indenture” means the Master Trust Indenture, dated as of November 1, 1997, between the Obligated Group and the Master Trustee, as supplemented and amended from time to time, including as supplemented and amended by Supplemental Master Indenture No. 39B-1.

“Master Trustee” means Wells Fargo Bank, National Association, a national banking association, as Master Trustee under the Master Indenture, or its successor.

“Maximum Interest Rate” means (i) with respect to Series 2018B Bonds other than Liquidity Facility Bonds, 12% per annum, provided, however, that the Maximum Interest Rate with respect to Series 2018B Bonds other than Liquidity Facility Bonds shall not exceed the Maximum Lawful Rate, and (ii) with respect to Liquidity Facility Bonds, the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Member” means an Obligated Group Member.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Obligated Group” has the meaning set forth herein under the caption “THE MASTER INDENTURE—Definitions—Obligated Group.”

“Obligated Group Agent” has the meaning set forth herein under the caption “THE MASTER INDENTURE—Definitions—Obligated Group Agent,” and on the date hereof is University of Colorado Health.

“Obligated Group Member” means any Person which has from time to time become an Obligated Group Member pursuant to the provisions of the Master Indenture and has not withdrawn from the Obligated Group pursuant to the provisions of the Master Indenture.

“Obligated Group Purchase Account” means the account by that name in the Bond Purchase Fund established pursuant to the 2018B Bond Indenture.

“Obligated Group Representative” means the Obligated Group Agent as defined herein under the caption “THE 2018B BOND INDENTURE—Definitions—Obligated Group Agent” and on the date hereof is University of Colorado Health.

“Obligation No. 39B-1” means the obligation issued under the Master Indenture and Supplemental Master Indenture No. 39B-1.

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to the 2018B Bond Indenture.

“Outstanding,” when used as of any particular time with reference to the Series 2018B Bonds, means (subject to the provisions of the 2018B Bond Indenture) all Series 2018B Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the 2018B Bond Indenture except (1) Series 2018B Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Series 2018B Bonds with respect to which all liability of the Authority has been discharged in accordance with the 2018B Bond Indenture; and (3) Series 2018B Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2018B Bonds have been authenticated and delivered by the Bond Trustee pursuant to the 2018B Bond Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the 2018B Bond Indenture.

“Principal Office” means, as appropriate, the designated corporate trust office of (1) the Bond Trustee, which as of the date hereof is located at Wells Fargo Bank, National Association, Corporate, Municipal and Escrow Solutions, 600 South 4th Street, 7th Floor, Minneapolis, MN 55415, Attention: Corporate Trust Services; or (2) the Tender Agent, which as of the date hereof, shall be the same as the Bond Trustee.

“Purchase Date” means the date on which Series 2018B Bonds are to be purchased pursuant to the provisions of the 2018B Bond Indenture.

“Purchase Price,” when used with respect to Purchased Series 2018B Bonds, means the principal amount of such Purchased Series 2018B Bonds plus accrued interest to, but not including, the Purchase Date; provided, however, that (1) if the Purchase Date for any Purchased Series 2018B Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Series 2018B Bond shall be paid to the Holder of such Series 2018B Bond pursuant to the 2018B Bond Indenture and (2) in the case of a purchase on the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, *“Purchase Price”* of any Purchased Series 2018B Bonds means the optional redemption price set forth in the 2018B Bond Indenture which would have been applicable to such Series 2018B Bond if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest, if any.

“Purchased Series 2018B Bonds” means Series 2018B Bonds to be purchased upon their optional or mandatory tender pursuant to the provisions of the 2018B Bond Indenture.

“Rating Agency” means, as of any date, each of Moody’s, if the Series 2018B Bonds are then rated by Moody’s at the request of the Obligated Group Representative, Fitch, if the Series 2018B Bonds are then rated by Fitch at the request of the Obligated Group Representative, and S&P, if the Series 2018B Bonds are then rated by S&P at the request of the Obligated Group Representative.

“Rebate Fund” means the Rebate Fund established pursuant to the 2018B Bond Indenture.

“Record Date” means (i) with respect to any Series 2018B Bonds bearing interest at either a Weekly Interest Rate, a Bond Interest Term Rate or an Index Floating Interest Rate, the Business Day immediately preceding the related Interest Payment Date, and (ii) with respect to any Series 2018B Bonds bearing interest at a Long-Term Interest Rate, the first day of the month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

“Redemption Fund” means the fund by that name established pursuant to the 2018B Bond Indenture.

“Redemption Price” means, with respect to any Series 2018B Bond (or portion thereof), the principal amount of such Series 2018B Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series 2018B Bond and the 2018B Bond Indenture.

“Remarketing Agent” means, with respect to the Series 2018B Bonds, any Remarketing Agent or successor or additional Remarketing Agent appointed in accordance with the 2018B Bond Indenture with respect to the Series 2018B Bonds. *“Principal Office”* of the Remarketing Agent means the address for the Remarketing Agent designated in writing to the Bond Trustee, the Authority and the Obligated Group Representative.

“Remarketing Proceeds Account” means the account by that name within the Bond Purchase Fund established pursuant to the 2018B Bond Indenture.

“Required Stated Amount” means with respect to a Liquidity Facility, at any time of calculation, an amount equal to the aggregate principal amount of all Series 2018B Bonds then Outstanding secured by such Liquidity Facility together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a Certificate of the Obligated Group Representative to be the minimum period specified by the Rating Agencies then rating such Series 2018B Bonds as necessary to obtain (or maintain) a specified short-term rating of such Series 2018B Bonds; provided, however, that with respect to the Initial Liquidity Facility, Required Stated Amount means an amount equal to the aggregate principal amount of all Series 2018B Bonds then Outstanding together with interest accruing thereon at a rate of 12% per annum for a period of 35 days.

“Responsible Officer” means, with respect to the Bond Trustee, any officer or authorized representative in its designated office or similar group administering the trusts under the 2018B Bond Indenture or any other officer of the Bond Trustee customarily performing functions similar to those performed by any of the above designated officers to whom a particular matter is referred by the Bond Trustee because of such officer’s or authorized representative’s knowledge of and familiarity with the particular subject.

“Revenue Fund” means the fund by that name established pursuant to the 2018B Bond Indenture.

“Revenues” means all payments in lawful money of the United States of America received by the Bond Trustee pursuant to Obligation No. 39B-1 and the 2018B Bond Indenture for payment of the Series 2018B Bonds.

“S&P” means S&P Global Ratings, its successors and assigns, or, if such organization is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the 2018B Bond Indenture.

“Self-Liquidity Arrangement” means the undertaking by the Authority (or the Obligated Group Representative on behalf of the Authority) of the obligation to purchase Series 2018B Bonds tendered for purchase pursuant to the 2018B Bond Indenture or subject to mandatory tender for purchase pursuant to the 2018B Bond Indenture, all in accordance with the 2018B Bond Indenture.

“SIFMA Index” means, for any day, the rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Bond Trustee and effective from such date.

“Sinking Fund Installment” means the amount required by the 2018B Bond Indenture to be paid by the Authority on any single date for the retirement of Series 2018B Bonds.

“Special Record Date” means the date established by the Bond Trustee pursuant to the 2018B Bond Indenture as the record date for the payment of defaulted interest on Series 2018B Bonds.

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to the 2018B Bond Indenture.

“State” means the State of Colorado.

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee, supplementing, modifying or amending the 2018B Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is authorized to be entered into under the 2018B Bond Indenture.

“Supplemental Master Indenture No. 39B-1” means Supplemental Master Indenture No. 39B-1, dated as of July 1, 2018, between the Obligated Group Representative, on behalf of the Members of the Obligated Group, and the Master Trustee, which is a supplement to the Master Indenture.

“Tax Agreement” means the Tax Regulatory Agreement delivered by the Authority and the Obligated Group Representative at the time of issuance and delivery of the Series 2018B Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tender Agent” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or its successor, as Tender Agent as provided in the 2018B Bond Indenture.

“Trust Estate” means the property and other rights assigned and pledged by the Authority to the Bond Trustee in the granting clauses of the 2018B Bond Indenture.

“2018B Bond Indenture” means the Bond Indenture of Trust, dated as of July 1, 2018, by and between the Authority and Wells Fargo Bank, National Association, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

“Undelivered Bonds” means any Series 2018B Bond which constitutes an Undelivered Bond under the provisions of the 2018B Bond Indenture.

“United States Government Obligations” means (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (2) certificates or other instruments which evidence ownership of the right to the payment of the principal of and interest on obligations described in clause (1) provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian and (3) municipal obligations the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2).

“Weekly Interest Rate” means a variable interest rate on the Series 2018B Bonds established in accordance with the 2018B Bond Indenture.

“Weekly Interest Rate Period” means each period with respect to the Series 2018B Bonds during which a Weekly Interest Rate is in effect.

Pledge and Agreement of the State of Colorado

Pursuant to Section 23-21-523 of the Act, the State of Colorado has pledged and agrees with the holders of any notes or bonds issued under the Act that the State of Colorado will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with said holders of any notes or bonds issued under the Act or in any way impair the rights and remedies of such holders until such notes and bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders are fully

met and discharged. Nothing in the Act precludes such limitation or alteration if and when adequate provision is made by law for the protection of the holders of such bonds, notes or other obligations of the Authority or those entering into such contracts with the Authority.

General Provisions Relating to Tenders

Remarketing of Bonds. Immediately upon its receipt, but not later than 12:00 noon, New York City time on the following Business Day in the case of a Series 2018B Bond bearing interest at a Weekly Interest Rate, from a Holder of an optional tender notice, the Tender Agent shall notify the Bond Trustee, the Remarketing Agent, the Liquidity Facility Provider (if any), the Obligated Group Representative and the Authority by telephone, promptly confirmed in writing, or by telecopy, of such receipt, specifying the principal amount of Series 2018B Bonds for which it has received an optional tender notice, the names of the Holders thereof and the date on which such Series 2018B Bonds are to be purchased in accordance with the 2018B Bond Indenture.

As soon as practicable, but in no event later than 4:00 p.m. New York City time on the last Business Day prior to a Purchase Date, the Remarketing Agent shall inform the Tender Agent by telephone, promptly confirmed in writing, of the principal amount of Purchased Series 2018B Bonds for which the Remarketing Agent has identified prospective purchasers and of the name, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Series 2018B Bonds to be purchased and the minimum authorized denominations in which such Purchased Series 2018B Bonds are to be delivered. Upon receipt from the Remarketing Agent of such information, the Tender Agent shall prepare Purchased Series 2018B Bonds in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

By 11:30 a.m. New York City time on the Purchase Date, the Tender Agent shall notify the Liquidity Facility Provider (if any), the Authority, and the Obligated Group Representative by telephone, promptly confirmed in writing, as to the aggregate Purchase Price of the Purchased Series 2018B Bonds and as to the projected Funding Amount.

Any Purchased Series 2018B Bonds which are subject to mandatory tender for purchase which are not presented to the Tender Agent on the Purchase Date and any Purchased Series 2018B Bonds which are the subject of an optional tender notice which are not presented to the Tender Agent on the Purchase Date, shall be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Bond Purchase Fund.

Deposits of Funds. The Tender Agent shall deposit into the Remarketing Proceeds Account any amounts received by it in immediately available funds by 11:15 a.m. New York City time on the Purchase Date from the Remarketing Agent against receipt of Series 2018B Bonds by the Remarketing Agent and on account of Purchased Series 2018B Bonds remarketed pursuant to the terms of the remarketing agreement.

By 11:30 a.m. New York City time on the Purchase Date, the Tender Agent shall notify the Liquidity Facility Provider (if any) for the Purchased Series 2018B Bonds, the Authority, and the Obligated Group Representative by telephone, immediately confirmed in writing, of the Funding Amount. If a Liquidity Facility is in effect with respect to the Purchased Series 2018B Bonds, the Tender Agent shall, at or before 12:00 noon, New York City time, on the Purchase Date, present drafts for payment under the Liquidity Facility in an amount equal to the Funding Amount. The Tender Agent shall deposit such amounts in the Liquidity Facility Account. If more than one Liquidity Facility is then in effect, the Tender Agent shall establish a separate subaccount in the Liquidity Facility Account for each Liquidity

Facility and apply the moneys in such subaccounts solely to pay the purchase price of Purchased Series 2018B Bonds secured by such Liquidity Facility.

The Authority agrees in the 2018B Bond Indenture that, except with respect to (i) a mandatory tender for purchase on the first day of an Interest Rate Period for Series 2018B Bonds being converted from a Long-Term Interest Rate Period and (ii) a mandatory tender for purchase on any Business Day designated by the Obligated Group Representative, if a Liquidity Facility is not in effect with respect to the Series 2018B Bonds or if the Liquidity Facility Provider has not paid the full amount required by the Bond Indenture at the times required under the Bond Indenture, it shall pay to the Tender Agent all amounts necessary for the purchase of Series 2018B Bonds and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Series 2018B Bonds; such payment by the Authority (or the Obligated Group Representative on its behalf) shall be in immediately available funds, shall equal the Funding Amount, and shall be paid to the Tender Agent at its Principal Office by 2:45 p.m., New York City time, on each date upon which a Liquidity Facility is not in effect with respect to the Purchased Series 2018B Bonds or if the Liquidity Facility Provider has not paid the full amount at the times required therein. The Tender Agent shall deposit such amounts into the Obligated Group Purchase Account.

The Tender Agent shall hold all proceeds received from the Remarketing Agent, the Liquidity Facility Provider or the Authority in trust for the tendering Bondholders. In holding such proceeds and moneys, the Tender Agent will be acting on behalf of such Bondholders by facilitating purchase of the Series 2018B Bonds and not on behalf of the Authority or any Liquidity Facility Provider, and will not be subject to the control of any of them. Subject to the provisions described in the following two paragraphs, following the discharge of the lien created by the 2018B Bond Indenture or after payment in full of the Series 2018B Bonds, the Tender Agent shall pay any moneys remaining in any account of the Bond Purchase Fund directly to the Persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Bond Trustee that such Person is rightfully entitled to such money and the Tender Agent shall not pay such amounts to any other Person.

Disbursements; Payment of Purchase Price. Moneys delivered to the Tender Agent on a Purchase Date shall be applied before 3:00 p.m. New York City time on such Purchase Date to pay the Purchase Price of Purchased Series 2018B Bonds in immediately available funds as follows in the indicated order of application and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Bond Purchase Fund for the benefit of the Holders of the Purchased Series 2018B Bonds which were to have been purchased:

FIRST: Moneys deposited in the Remarketing Proceeds Account.

SECOND: Moneys deposited in the Liquidity Facility Account.

THIRD: Moneys deposited in the Obligated Group Purchase Account.

Any moneys held by the Tender Agent in the Obligated Group Purchase Account remaining unclaimed by the Holders of the Purchased Series 2018B Bonds which were to have been purchased for three years after the respective Purchase Date for such Series 2018B Bonds shall be paid, upon the written request of the Obligated Group Representative to the Obligated Group Representative, against written receipt therefor. The Holders of Purchased Series 2018B Bonds who have not yet claimed money in respect of such Series 2018B Bonds shall thereafter be entitled to look only to the Tender Agent, to the extent it shall hold moneys on deposit in the Bond Purchase Fund or the Obligated Group Representative to the extent moneys have been transferred in accordance with this Section.

Delivery of Purchased Bonds. The Remarketing Agent shall give telephonic or electronic mail notice, promptly confirmed by a written notice, to the Tender Agent on each date on which Series 2018B Bonds shall have been purchased, specifying the principal amount of such Series 2018B Bonds, if any, sold by it along with a list of such purchasers showing the names and authorized minimum denominations in which such Series 2018B Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. By 11:30 a.m. New York City time, a principal amount of Series 2018B Bonds equal to the amount of Purchased Series 2018B Bonds purchased with moneys from the Remarketing Proceeds Account shall be made available by the Tender Agent to the Remarketing Agent against payment therefor in immediately available funds. The Tender Agent shall prepare each Series 2018B Bond to be so delivered in such names as directed by the Remarketing Agent.

A principal amount of Bonds equal to the amount of Purchased Series 2018B Bonds purchased from moneys on deposit in the Liquidity Facility Account shall be delivered on the day of purchase by the Tender Agent to or as directed by the Liquidity Facility Provider. The Tender Agent shall register such Series 2018B Bonds in the name of the Liquidity Facility Provider or as otherwise provided in the Liquidity Facility.

A principal amount of Series 2018B Bonds equal to the amount of Purchased Series 2018B Bonds purchased from moneys on deposit in the Obligated Group Purchase Account shall be delivered on the day of such purchase by the Tender Agent to or as directed by the Obligated Group Representative. The Tender Agent shall register such Series 2018B Bonds in the name of the Authority or as otherwise directed by the Obligated Group Representative.

Qualifications of a Remarketing Agent; Resignation; Removal

Each Remarketing Agent shall be a member of the Financial Industry Regulatory Authority or subject to supervision by the Office of the Comptroller of the Currency, having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by the 2018B Bond Indenture. Any successor Remarketing Agent shall at the time of its appointment have senior unsecured long term debt which shall be rated, so long as the Series 2018B Bonds with respect to which it is serving as Remarketing Agent shall be rated by Moody's, at least Baa3/P-3 or otherwise qualified by Moody's.

A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the 2018B Bond Indenture by giving notice to the Tender Agent, the Authority and the Liquidity Facility Provider (if any). Such resignation shall take effect on the sixtieth day after the receipt by the Authority of the notice of resignation. A Remarketing Agent may be removed at the direction of the Authority (or the Obligated Group Representative on behalf of the Authority) at any time on forty-five days prior written notice, by an instrument signed by the Authority (or the Obligated Group Representative on behalf of the Authority), filed with such Remarketing Agent, the Liquidity Facility Provider (if any), the Bond Trustee and the Tender Agent. If the Remarketing Agent resigns and no successor has been appointed by the effective date of such resignation, the Bond Trustee shall promptly give notice of that fact by first-class mail to the Holders of the Series 2018B Bonds and to each Rating Agency then rating such Series 2018B Bonds.

Successor Remarketing Agents

Any corporation, association, partnership or firm which succeeds to the business of a Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent under the 2018B Bond Indenture.

In the event that a Remarketing Agent has given notice of resignation or has been notified of its impending removal, the Authority (or the Obligated Group Representative on behalf of the Authority) shall appoint a successor Remarketing Agent.

In the event that a Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of a Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority (or the Obligated Group Representative on behalf of the Authority) shall not have appointed its successor within thirty days, the Authority or the Obligated Group Representative shall apply to a court of competent jurisdiction for such appointment.

Qualifications of Tender Agent; Resignation; Removal

Any successor Tender Agent shall be a commercial bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$50,000,000 at the time of its appointment and authorized by law to perform all the duties imposed upon it by the 2018B Bond Indenture. Subject to the next succeeding paragraph, any Tender Agent may resign at any time, and be discharged of the duties and obligations created by the 2018B Bond Indenture by giving at least sixty days' notice to the Authority, the Obligated Group Representative, the Liquidity Facility Provider (if any), and the Bond Trustee. Subject to the next succeeding paragraph, any Tender Agent may be removed at any time, by an instrument signed by the Authority (or the Obligated Group Representative on behalf of the Authority) and filed with the Bond Trustee, the Remarketing Agent, and the Liquidity Facility Provider (if any).

Upon the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any moneys and/or Series 2018B Bonds held by it in such capacity to its successor. In the event of the resignation of a Tender Agent who is also serving in the capacity of Bond Trustee, the Bond Trustee shall also tender its resignation in accordance with the provisions of the 2018B Bond Indenture. No such resignation or removal shall be effective until a successor has been appointed and accepted such duties.

Successor Tender Agents

Any corporation, association, partnership or firm which succeeds to the business of the Tender Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Tender Agent under the 2018B Bond Indenture.

In the event that the Tender Agent has given notice of resignation or has been notified of its impending removal, the Authority (or the Obligated Group Representative on behalf of the Authority) shall appoint a successor Tender Agent.

In the event that the Tender Agent shall resign, be removed or be dissolved, or if the property or affairs of the Tender Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority (or the Obligated Group Representative on behalf of the Authority) shall not have appointed its successor within thirty days, the Authority or the Obligated Group Representative shall apply to a court of competent jurisdiction for such appointment.

Liquidity Facility; Alternate Liquidity Facility

Upon the issuance of the Series 2018B Bonds, the Initial Liquidity Facility will be in effect with respect to the Series 2018B Bonds. The Authority (or the Obligated Group Representative on behalf of the Authority) may, at any time at its sole option, deliver to the Tender Agent an Alternate Liquidity Facility in substitution for a Liquidity Facility, or may, at any time at its sole option proceed in a Self-Liquidity Arrangement without a Liquidity Facility with respect to the Series 2018B Bonds available for use by the Tender Agent to provide for the purchase of the Series 2018B Bonds upon their optional or mandatory tender in accordance with the 2018B Bond Indenture. Any Liquidity Facility or Alternate Liquidity Facility shall be in an amount equal to the Required Stated Amount for the Series 2018B Bonds with a term of at least 360 days from the effective date thereof.

Any Alternate Liquidity Facility delivered to the Tender Agent shall be delivered and become effective not later than one Business Day prior to the date on which the former Liquidity Facility, if any, terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of a Liquidity Facility or Alternate Liquidity Facility to the Tender Agent, the Authority (or the Obligated Group Representative on behalf of the Authority) shall furnish to the Tender Agent (i) if the Liquidity Facility or Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee and the Remarketing Agent that no registration of the Liquidity Facility or Alternate Liquidity Facility is required under the Securities Act, and no qualification of the 2018B Bond Indenture is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (ii) an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee to the effect that such Liquidity Facility or Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

In lieu of the Opinion of Counsel described above, there may be delivered an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Remarketing Agent to the effect that either (i) at all times during the term of the Liquidity Facility or Alternate Liquidity Facility, the Series 2018B Bonds will be offered, sold and held by Holders in transactions not constituting a public offering of such Series 2018B Bonds or the Liquidity Facility or Alternate Liquidity Facility under the Securities Act, and accordingly no registration of the Liquidity Facility or Alternate Liquidity Facility under the Securities Act nor qualification of the 2018B Bond Indenture under the Trust Indenture Act will be required in connection with the issuance and delivery of the Liquidity Facility or Alternate Liquidity Facility or the remarketing of such Series 2018B Bonds with the benefits thereof, or (ii) the offering and sale of the Series 2018B Bonds, to the extent evidencing the Liquidity Facility or Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (i) of this paragraph is given, the Series 2018B Bonds and any transfer records relating to the Series 2018B Bonds shall be noted indicating the restrictions on sale and transferability described in clause (i).

Self-Liquidity Arrangements

The Authority (or the Obligated Group Representative on behalf of the Authority), at its sole option, may maintain a Self-Liquidity Arrangement in lieu of a Liquidity Facility. A Self-Liquidity Arrangement will become effective upon delivery to the Tender Agent of letters from each Rating Agency then rating the Series 2018B Bonds at the request of the Authority confirming that the Series 2018B Bonds are rated in the highest short term Rating Category. A Self Liquidity Arrangement

will thereupon be deemed to be in effect with respect to the Series 2018B Bonds and shall remain in effect with respect to the Series 2018B Bonds until the earlier of a Conversion Date or the date on which the Authority (or the Obligated Group Representative on behalf of the Authority) provides a Liquidity Facility pursuant to the 2018B Bond Indenture.

Establishment of Funds and Accounts

The 2018B Bond Indenture creates various funds and accounts, including the Cost of Issuance Fund, the Revenue Fund, the Redemption Fund, the Rebate Fund and the Bond Purchase Fund.

Cost of Issuance Fund. The Bond Trustee establishes, maintains and holds in trust under the 2018B Bond Indenture a separate fund designated as the “Cost of Issuance Fund.” A portion of the proceeds of the Series 2018B Bonds will be deposited to the Cost of Issuance Fund on the Date of Issuance. There will also be retained in the Cost of Issuance Fund interest and other income received on investments of Cost of Issuance Fund moneys as provided in the 2018B Bond Indenture. Such money will be expended as directed by the Authority (or the Obligated Group Representative on behalf of the Authority) in writing to pay expenses incurred in connection with the issuance of the Series 2018B Bonds. The Bond Trustee is authorized and directed under the 2018B Bond Indenture to draw on the Cost of Issuance Fund for each such payment.

The Bond Trustee will keep and maintain adequate records pertaining to the Cost of Issuance Fund and all payments therefrom, which shall be open to inspection by the Authority or its duly authorized agents during normal business hours of the Bond Trustee. After all expenses incurred in connection with the issuance of the Series 2018B Bonds have been paid and a certificate of payment of all costs filed as provided in the 2018B Bond Indenture, the Bond Trustee will file a statement of income and disbursements with respect thereto with the Authority and the Obligated Group Representative.

Upon receipt by the Bond Trustee of a certificate signed by an Authorized Representative of the Authority (or an Authorized Representative of the Obligated Group Representative on behalf of the Authority) stating that all expenses incurred in connection with the issuance of the Series 2018B Bonds have been paid, any moneys remaining in the Cost of Issuance Fund will be transferred, at the option of the Authority (or an Authorized Representative of the Obligated Group Representative on behalf of the Authority), into the Principal Account of the Revenue Fund or the Interest Account of the Revenue Fund and used to pay the principal of or interest next coming due on the Series 2018B Bonds.

The Cost of Issuance Fund will be in the custody of the Bond Trustee but in the name of the Authority and the Authority authorizes and directs the Bond Trustee under the 2018B Bond Indenture to withdraw sufficient funds from the Cost of Issuance Fund for the purposes set forth in the 2018B Bond Indenture, which authorization and direction the Bond Trustee accepts under the 2018B Bond Indenture.

Revenue Fund.

Pledge and Assignment; Revenue Fund All Revenues and all moneys transferred to the Revenue Fund from the Cost of Issuance Fund pursuant to the 2018B Bond Indenture will be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Bond Trustee is directed to establish, maintain and hold in trust under the 2018B Bond Indenture, except as otherwise provided in the 2018B Bond Indenture and except that all moneys received by the Bond Trustee and required by Obligation No. 39B-1 to be deposited in the Bond Purchase Fund or the Redemption Fund, will be promptly deposited in the Bond Purchase Fund and Redemption Fund, respectively. All Revenues deposited with the Bond

Trustee will be held, disbursed, allocated and applied by the Bond Trustee only as provided in the 2018B Bond Indenture.

Allocation of Revenues On or before the dates specified below, the Bond Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is directed under the 2018B Bond Indenture to establish and maintain within the Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: on or before each Interest Payment Date, to the Interest Account, the amount of interest becoming due and payable on such Interest Payment Date on all Series 2018B Bonds then Outstanding, until the balance in said account is equal to said amount of interest; and

Second: to the Principal Account, on or before each November 15 commencing November 15, 2030, the amount of the Sinking Fund Installments or principal at maturity becoming due and payable on such November 15, until the balance in said account is equal to said amount of such Sinking Fund Installments or principal at maturity, as applicable.

Any moneys remaining in the Revenue Fund after the foregoing transfers will be transferred to the Authority as an overpayment.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Series 2018B Bonds as it becomes due and payable (including accrued interest on any Series 2018B Bonds purchased or redeemed prior to maturity pursuant to the 2018B Bond Indenture).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Bond Trustee solely to purchase or redeem or pay Sinking Fund Installments as described in the body of this Official Statement under the caption “THE SERIES 2018B BONDS—Redemption—Mandatory Sinking Fund Redemption” or pay at maturity the Series 2018B Bonds as provided in the 2018B Bond Indenture.

On each Sinking Fund Installment date established pursuant to the 2018B Bond Indenture, the Bond Trustee will apply the Sinking Fund Installment required on that date to the redemption (or payment at maturity, as the case may be) of Series 2018B Bonds, upon the notice and in the manner provided in the 2018B Bond Indenture.

Redemption Fund. The Bond Trustee establishes, maintains and holds in trust under the 2018B Bond Indenture a fund separate from any other fund established and maintained under the 2018B Bond Indenture designated as the “Redemption Fund” and within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account will be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Series 2018B Bonds, in the manner and upon the terms and conditions specified in the 2018B Bond Indenture which are described in the body of this Official Statement under the caption “THE SERIES 2018B BONDS—Redemption,” at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively;

provided that, at any time prior to giving such notice of redemption, the Bond Trustee will, upon direction of the Authority (or the Obligated Group Representative on behalf of the Authority), apply such amounts to the purchase of Series 2018B Bonds in accordance with the 2018B Bond Indenture; and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against principal and interest payments on any of the Series 2018B Bonds in order of their due date as set forth in a Request of the Authority (or the Obligated Group Representative on behalf of the Authority).

Rebate Fund. The Bond Trustee establishes and maintains a fund under the 2018B Bond Indenture separate from any other fund established and maintained under the Bond Indenture designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee maintains such accounts as specified by the Tax Agreement. Subject to the transfer provisions of the 2018B Bond Indenture described in the fifth paragraph of this caption “THE 2018B BOND INDENTURE—Establishment of Funds and Accounts—Rebate Fund,” all money at any time deposited in the Rebate Fund will be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority nor the Holder of any Series 2018B Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the 2018B Bond Indenture and by the Tax Agreement.

Upon the Authority’s or the Obligated Group Representative’s written direction, an amount will be deposited to the Rebate Fund by the Bond Trustee from deposits by the Authority or the Obligated Group Representative or from available investment earnings on amounts held in the Revenue Fund, if and to the extent required, so that the balance in the Rebate Fund will equal the Rebate Amount. Computations of the Rebate Amount will be furnished to the Bond Trustee by or on behalf of the Authority in accordance with the Tax Agreement.

The Bond Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the 2018B Bond Indenture, other than from moneys held in the funds and accounts created under the 2018B Bond Indenture or from other moneys provided to it by the Authority or the Obligated Group Representative.

At the written direction of the Authority or the Obligated Group Representative, each acting in accordance with the restrictions set forth in the Tax Agreement, the Bond Trustee will invest all amounts held in the Rebate Fund in Investment Securities. None of the Authority, the Obligated Group Representative, or the Bond Trustee shall be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in the 2018B Bond Indenture provisions summarized in the fifth paragraph of this caption “THE 2018B BOND INDENTURE—Establishment of Funds and Accounts—Rebate Fund.”

Upon receipt of the Authority’s or the Obligated Group Representative’s written directions, the Bond Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. Any excess moneys contained in the Rebate Fund will, at the written direction of the Authority or the Obligated Group Representative, be transferred to the Interest Account of the Revenue Fund or the Principal Account of the Revenue Fund. Any funds remaining in the Rebate Fund after redemption and payment of all of the Series 2018B Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, will be withdrawn and remitted to the Authority.

Notwithstanding any other provision of the 2018B Bond Indenture, including in particular the provisions of the 2018B Bond Indenture described herein under the caption “THE 2018B BOND

INDENTURE—Defeasance,” the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the 2018B Bond Indenture and the Tax Agreement will survive the defeasance or payment in full of the Series 2018B Bonds.

Bond Purchase Fund. There will be created and established under the 2018B Bond Indenture with the Tender Agent a fund to be designated the “Bond Purchase Fund” to be held in trust only for the benefit of the Holders of tendered Series 2018B Bonds who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Series 2018B Bonds. Neither the Authority nor the Obligated Group Representative will have any right, title or interest in any of the funds held on deposit in the Remarketing Proceeds Account or the Liquidity Facility Account nor any remarketing proceeds held for any period of time by the Remarketing Agent.

There will be created and designated the following accounts within the Bond Purchase Fund: the “Remarketing Proceeds Account,” the “Liquidity Facility Account” and the “Obligated Group Purchase Account.” Moneys paid to the Tender Agent for the purchase of tendered or deemed tendered Series 2018B Bonds received from (i) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account in accordance with the provisions of the 2018B Bond Indenture, (ii) a Liquidity Facility Provider pursuant to a Liquidity Facility, if any, shall be deposited in the Liquidity Facility Account in accordance with the provisions of the 2018B Bond Indenture, and (iii) the Obligated Group Agent or any other Member shall be deposited in the Obligated Group Purchase Account in accordance with the provisions of the 2018B Bond Indenture. Moneys provided from payments made under the Liquidity Facility (if any) not required to be used in connection with the purchase of tendered Series 2018B Bonds shall be returned to the Liquidity Facility Provider in accordance with the 2018B Bond Indenture. Moneys provided by the Obligated Group Representative or other Member not required to be used in connection with the purchase of tendered Series 2018B Bonds shall be returned to the Obligated Group Representative in accordance with the 2018B Bond Indenture.

Moneys in the Liquidity Facility Account, the Obligated Group Purchase Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the 2018B Bond Indenture (other than the Bond Purchase Fund) will be invested by the Bond Trustee, upon direction of the Authority or the Obligated Group Representative, solely in Investment Securities. Moneys in the Bond Purchase Fund will remain uninvested.

Investment Securities will be purchased at such prices as the Authority or the Obligated Group Representative may direct. The directions of the Authority or the Obligated Group Representative, as applicable, will be given in accordance with the limitations set forth in the 2018B Bond Indenture provisions described herein under the caption “THE 2018B BOND INDENTURE—Tax Covenant.” All Investment Securities will be acquired subject to the limitations as to maturities hereinafter set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority or the Obligated Group Representative.

Moneys in all funds and accounts (other than the Bond Purchase Fund) will be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the 2018B Bond Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited when received in such respective fund. All interest, profits and other income received from the investment of moneys in the Cost of Issuance Fund will be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the 2018B Bond Indenture will be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in the 2018B Bond Indenture provisions summarized in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under the 2018B Bond Indenture will be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account will be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the amounts on deposit in the funds or accounts established pursuant to the 2018B Bond Indenture (other than the Bond Purchase Fund or the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee under the 2018B Bond Indenture will be accounted for separately as required by the 2018B Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, the Bond Trustee will not be liable nor responsible for any loss resulting from any investment made in accordance with the provisions of the 2018B Bond Indenture, except for any loss finally adjudicated by a court of competent jurisdiction to have been caused solely by the negligence or willful misconduct of the Bond Trustee.

Tax Covenant

The Authority covenants and represents in the 2018B Bond Indenture to the Bond Trustee for the benefit of the Holders of the Series 2018B Bonds that it will not take any action or omit to take any action with respect to the Series 2018B Bonds, the proceeds thereof, or any other funds of the Authority, or any facilities financed or refinanced with the proceeds of the Series 2018B Bonds if such action or omission (a) would cause the interest on the Series 2018B Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103(a) of the Code, (b) would cause interest on the Series 2018B Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income for taxable years beginning before January 1, 2018, or (c) would cause interest on the Series 2018B Bonds to lose its exclusion from State of Colorado taxable income under present laws of the State of Colorado. The foregoing covenant will remain in full force and effect notwithstanding the payment in full or defeasance of the Series 2018B Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

No Arbitrage

The Authority agrees in the 2018B Bond Indenture to restrict the use of proceeds of the Series 2018B Bonds in such manner and to such extent as necessary to assure that the Series 2018B Bonds will not constitute arbitrage bonds under Section 148 of the Code. Any Authorized Representative of the Authority having responsibility with respect to the issuance of the Series 2018B Bonds is authorized and directed, alone or in conjunction with any other officer, employee or consultant of the Authority, to give an appropriate certificate on behalf of the Authority, for inclusion in the transcript of proceedings for the Series 2018B Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code.

Events of Default

Each of the following is defined as and shall be deemed an “Event of Default”:

(a) default in the due and punctual payment of the principal or Redemption Price of any Series 2018B Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise or default in the redemption of any Series 2018B Bonds from Sinking Fund Installments in the amount and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Series 2018B Bond when and as such interest installment becomes due and payable;

(c) failure to pay the Purchase Price of any Series 2018B Bond tendered pursuant to the 2018B Bond Indenture when such payment is due (except with respect to payment of the Purchase Price of any Series 2018B Bond subject to mandatory tender for purchase on any Business Day designated by the Obligated Group Representative);

(d) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the 2018B Bond Indenture or in the Series 2018B Bonds contained, if such default has continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Bond Trustee, or to the Authority and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2018B Bonds at the time Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period but can be corrected, the Bond Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted within the applicable period and diligently pursued until the failure is corrected;

(e) the occurrence of an “event of default” as defined in the Master Indenture; and

(f) declaration under the provisions of the Master Indenture that the principal of any of Obligation No. 39B-1 or all Obligations is immediately due and payable.

Within five days after actual knowledge by the Bond Trustee of an Event of Default described under clause (a), (b) or (c) above, the Bond Trustee will give written notice, by registered or certified mail, to the Authority, the Obligated Group Representative, the Master Trustee and the Bondholders.

Remedies on Events of Default

Upon the occurrence of an Event of Default, the Bond Trustee has the following rights and remedies:

Acceleration. The Bond Trustee may, or (i) upon the occurrence of any Event of Default described in the provisions of the 2018B Bond Indenture described in clause (a), (b) or (c) under the caption “THE 2018B BOND INDENTURE—Events of Default” herein known to a Responsible Officer of the Bond Trustee, or (ii) upon the written request of the owners of not less than a majority in aggregate principal amount of the Series 2018B Bonds then Outstanding, will, by notice in writing given to the Authority and the Obligated Group Representative, declare the principal amount of all Series 2018B Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable.

Upon any declaration of acceleration hereunder, the Bond Trustee will request the Master Trustee to declare all payments under Obligation No. 39B-1 to be immediately due and payable as provided in the Master Indenture and to the extent the principal of all the Obligations has not then been declared to be immediately due and payable, the Bond Trustee shall request the Master Trustee to declare the principal of all Obligations to be immediately due and payable pursuant to the Master Indenture.

The provisions of the preceding paragraph, however, are subject to the condition that if, after the principal of the Series 2018B Bonds and the principal of the Obligations have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, (i) there is deposited with the Bond Trustee a sum sufficient to pay all matured installments of interest upon all Series 2018B Bonds and the principal of any and all Series 2018B Bonds which have become due otherwise than by reason of such declaration and such amount as shall be sufficient to cover reasonable compensation and reimbursement of reasonable expenses payable to the Bond Trustee, the Tender Agent and the paying agent (initially the Bond Trustee) and the reasonable fees and expenses of their counsel, (ii) all Events of Default under the 2018B Bond Indenture other than nonpayment of the principal of Series 2018B Bonds which have become due by such declaration have been remedied, and (iii) the declaration of acceleration of the Obligations will be annulled in accordance with the provisions of the Master Indenture, then, and in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded or annulled, and the Bond Trustee will promptly give written notice of such waiver, rescission or annulment to the Authority, the Obligated Group Representative, the Tender Agent, paying agent, and the Master Trustee and will give notice thereof to the bondholders of Outstanding Series 2018B Bonds; but no such waiver, rescission or annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Legal Proceedings. The Bond Trustee may, by mandamus, or other suit, action or proceeding at law or in equity, enforce the rights of the bondholders, and require the Authority to carry out the agreements with or for the benefit of the Bondholders, and to perform its duties, under Obligation No. 39B-1 and the 2018B Bond Indenture. The Bond Trustee may also, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the bondholders.

Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the bondholders, the Bond Trustee

will be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the rents, revenues, income, products and profits thereof, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Bond Trustee will be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of the 2018B Bond Indenture to, the Bond Trustee.

Suit for Judgment on the Bonds. The Bond Trustee will be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of the 2018B Bond Indenture, for the enforcement of any of its rights, or the rights of the Bondholders under the 2018B Bond Indenture, but any such judgment against the Authority will be enforceable only against the Trust Estate, including Obligation No. 39B-1. No recovery of any judgment by the Bond Trustee will in any manner or to any extent affect the lien of the 2018B Bond Indenture or any rights, powers or remedies of the Bond Trustee under the 2018B Bond Indenture, or any lien, rights, powers or remedies of the owners of the Series 2018B Bonds, but such lien, rights, powers and remedies of the Bond Trustee and of the Bondholders will continue unimpaired as before.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy will be cumulative and in addition to any other right or remedy given under the 2018B Bond Indenture or now or hereafter existing at law or in equity or by statute.

If any Event of Default has occurred and if requested by the owners of not less than a majority in aggregate principal amount of Series 2018B Bonds then Outstanding and indemnified as provided in the 2018B Bond Indenture, the Bond Trustee will be obligated to exercise such one or more of the rights and powers conferred by the provisions of the 2018B Bond Indenture summarized under this caption as the Bond Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders.

In the event that the Master Trustee has accelerated the Obligations and is pursuing its available remedies under the Master Indenture, the Bond Trustee will not pursue its available remedies under the 2018B Bond Indenture or Obligation No. 39B-1 in such manner as to hinder or frustrate the pursuit by the Master Trustee of its remedies under the Master Indenture; notwithstanding the foregoing, however, the Master Trustee will act as the final authority in enforcing any provision of the 2018B Bond Indenture described above or in taking any action under the 2018B Bond Indenture described above.

Majority of Bondholders May Control Proceedings

Anything in the 2018B Bond Indenture to the contrary notwithstanding and subject to the last paragraph under the caption “THE 2018B BOND INDENTURE—Remedies on Events of Default—Suit for Judgment on the Bonds,” the owners of a majority in aggregate principal amount of the Series 2018B Bonds then Outstanding will have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 2018B Bond Indenture, or for the appointment of a receiver, or any other proceedings under the 2018B Bond Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the 2018B Bond Indenture. The Bond Trustee will not be required to act on any direction given to it as described under this caption unless indemnified as provided in the 2018B Bond Indenture.

Rights and Remedies of Bondholders

No owner of any Series 2018B Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the 2018B Bond Indenture or for the execution of any trust of the 2018B Bond Indenture or for the appointment of a receiver or any other remedy under the 2018B Bond Indenture, unless a default has occurred of which the Bond Trustee has been notified as provided in the 2018B Bond Indenture, or of which it is deemed to have notice pursuant to the 2018B Bond Indenture, nor unless such default has become an Event of Default and the owners of not less than a majority in aggregate principal amount of Series 2018B Bonds then Outstanding have made written request to the Bond Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted under the 2018B Bond Indenture or to institute such action, suit or proceeding in its own name, nor unless they have also offered to the Bond Trustee indemnity as provided in the 2018B Bond Indenture nor unless the Bond Trustee thereafter fails or refuses to exercise the powers granted under the 2018B Bond Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared under the 2018B Bond Indenture in every case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the 2018B Bond Indenture, and to any action or cause of action for the enforcement of the 2018B Bond Indenture, or for the appointment of a receiver or for any other remedy under the 2018B Bond Indenture; it being understood and intended that no one or more owners of the Series 2018B Bonds will have the right in any manner whatsoever to affect, disturb or prejudice the lien of the 2018B Bond Indenture by his, her or their action or to enforce any right under the 2018B Bond Indenture except in the manner provided in the 2018B Bond Indenture and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the 2018B Bond Indenture and for the equal benefit of the owners of all Series 2018B Bonds then Outstanding. Nothing contained in the 2018B Bond Indenture, however, will affect or impair the right of any owner of Series 2018B Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal (and Purchase Price on a Purchase Date) of, premium, if any, or interest on any Series 2018B Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal (and Purchase Price on a Purchase Date) of, premium, if any, and interest on each of the Series 2018B Bonds to the respective owners of the Series 2018B Bonds at the time and place, from the source and in the manner in the 2018B Bond Indenture and in the Series 2018B Bonds expressed.

Application of Moneys

All moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of the 2018B Bond Indenture relating to Events of Default and remedies therefor (other than any remarketing proceeds or money received pursuant to a draw or demand on a Liquidity Facility) will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances incurred or made by the Bond Trustee, including any unpaid fees of the Bond Trustee, first, to the extent of any deficiency of required amounts in the Rebate Fund, be deposited in the Rebate Fund, and thereafter will be deposited in the Revenue Fund and all moneys so deposited in the Revenue Fund and all moneys held or deposited in the Revenue Fund during the continuance of an Event of Default will be applied as follows:

- (a) Unless the principal of all the Series 2018B Bonds has become or has been declared due and payable, all such moneys will be applied:

FIRST, to the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Series 2018B Bonds (including Liquidity Facility Bonds), in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment, then to the

payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND, to the payment to the persons entitled thereto of the unpaid principal (and Purchase Price with respect to a Purchase Date) of and premium, if any, on any of the Outstanding Series 2018B Bonds (including Liquidity Facility Bonds) which have become due (other than Series 2018B Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2018B Bond Indenture), in the order of their due dates, with interest on the unpaid principal and such Purchase Price of and premium, if any, on such Series 2018B Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Outstanding Series 2018B Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

(b) If the principal of all the Outstanding Series 2018B Bonds has become due or has been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon all of the Outstanding Series 2018B Bonds (including Liquidity Facility Bonds), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2018B Bond (including Liquidity Facility Bonds) over any other Series 2018B Bond (including Liquidity Facility Bonds), ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Outstanding Series 2018B Bonds has been declared due and payable, and if such declaration is thereafter rescinded and annulled under the provisions of the 2018B Bond Indenture relating to Events of Default and remedies therefor then, subject to the provisions of the 2018B Bond Indenture described in paragraph (b) above, in the event that the principal of all the Series 2018B Bonds will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of the 2018B Bond Indenture described in paragraph (a) above.

Whenever moneys are to be applied pursuant to the provisions of the 2018B Bond Indenture, such moneys will be applied at such times, and from time to time, as the Bond Trustee determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee applies such funds, it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Bond Trustee will give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of any such date, and will not be required to make payment to the owner of any Series 2018B Bond until such Series 2018B Bond is presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Outstanding Series 2018B Bonds and interest thereon have been paid under the provisions of the 2018B Bond Indenture and all expenses and fees of the Bond Trustee have been paid under the 2018B Bond Indenture and under Obligation No. 39B-1, any balance remaining in the Funds (other than the Rebate Fund and the Bond Purchase Fund) will be paid to the Authority. Release of moneys in the Rebate Fund shall be governed by the 2018B Bond Indenture and the Tax Agreement. Release of moneys in the Bond Purchase Fund shall be governed by the 2018B Bond Indenture.

Bond Trustee to Notify Parties of Default and Disclosure Information Relating to Default

The Bond Trustee will notify in writing all bondholders of the occurrence of any Event of Default in accordance with the 2018B Bond Indenture and will make available to such bondholder or any inquiring person any and all information reasonably requested of the Bond Trustee concerning the Event of Default, the Series 2018B Bonds and any other information relevant to the Event of Default.

The foregoing paragraph shall be subject to the following: the Bond Trustee shall not be required to take notice or be deemed to have notice of any default under the 2018B Bond Indenture except failure by the Authority to cause to be made any of the payments to the Bond Trustee required to be made by the 2018B Bond Indenture unless the Bond Trustee is specifically notified in writing of such default by the owners of at least 50% in aggregate principal amount of the Series 2018B Bonds then Outstanding, and all notices or other instruments required by the 2018B Bond Indenture to be delivered to the Bond Trustee, must, in order to be effective, be delivered at the Principal Office of the Bond Trustee, and, in the absence of such notice so delivered, the Bond Trustee may conclusively assume that there is no default except as aforesaid.

The Bond Trustee

Before taking any action under the 2018B Bond Indenture with respect to Events of Default under the 2018B Bond Indenture as described under the captions “THE 2018B BOND INDENTURE—Remedies on Events of Default,” “THE 2018B BOND INDENTURE—Majority of Bondholders May Control Proceedings,” and “THE 2018B BOND INDENTURE—Rights and Remedies of Bondholders” (other than accelerating the Bonds as required by the 2018B Bond Indenture provisions described herein under the caption “THE 2018B BOND INDENTURE—Remedies on Events of Default—Acceleration,” taking action to draw on a Liquidity Facility, if any, in its role as Tender Agent pursuant to the 2018B Bond Indenture and paying the principal of, redemption premium (if any) and interest on the Series 2018B Bonds as the same becomes due and payable), the Bond Trustee may require that indemnity satisfactory to it be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability, except liability which may result from its negligence or willful misconduct as finally determined by a court of competent jurisdiction, by reason of any action so taken. In the event that the Master Trustee is entitled to be indemnified as a condition to taking any action under the Master Indenture, the Bond Trustee shall be entitled to request that such indemnity be provided directly to the Master Trustee by the Bondholders, the Authority or the Obligated Group.

The 2018B Bond Indenture establishes procedures for the resignation or removal of the Bond Trustee and for the appointment of successors by the Authority (or the Obligated Group Representative on behalf of the Authority) or the owners of a majority in aggregate principal amount of the Outstanding Series 2018B Bonds. However, no resignation or removal will become effective until a successor has been appointed and has accepted the duties of Bond Trustee.

Supplemental Bond Indentures Not Requiring Consent of Bondholders

The Authority and the Bond Trustee may, without the consent of, or notice to, the Bondholders, but with notice to and the consent of the Liquidity Facility Provider, if any, enter into indentures supplemental to the 2018B Bond Indenture (which supplemental indentures will thereafter form a part of the 2018B Bond Indenture) for any one or more or all of the following purposes:

- (a) to add to the covenants and agreements contained in the 2018B Bond Indenture other covenants and agreements thereafter to be observed for the protection or benefit of the bondholders;

(b) to cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the 2018B Bond Indenture;

(c) to subject to the 2018B Bond Indenture additional revenues, properties or collateral;

(d) to permit the Bond Trustee to enter into agreements with depositories or other institutions in order that such institutions may perform the duties of paying agent and/or transfer agent for the Series 2018B Bonds;

(e) to modify, amend or supplement the 2018B Bond Indenture or any indenture supplemental thereto in such manner, not adverse, in the opinion of the Bond Trustee, to the interest of the owners of Series 2018B Bonds, as to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state Blue Sky Law;

(f) to grant to or confer upon the Bond Trustee for the benefit of the bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the bondholders or the Bond Trustee;

(g) to evidence the appointment of a separate or Co-Bond Trustee or the succession of a new Bond Trustee under the 2018B Bond Indenture;

(h) to correct any description of, or reflect changes in, any of the properties comprising the Trust Estate;

(i) to make any revisions of the 2018B Bond Indenture that are required by a Rating Agency providing a rating of the Series 2018B Bonds in order to obtain or maintain an investment grade rating on the Series 2018B Bonds;

(j) to make any revisions of the 2018B Bond Indenture that are necessary in connection with the Authority (or the Obligated Group Representative on behalf of the Authority) furnishing a Liquidity Facility or a Self-Liquidity Arrangement, including but not limited to revising the Interest Payment Dates for Liquidity Facility Bonds and revising times required with respect to matters relating to tenders;

(k) to provide for an uncertificated system of registering Series 2018B Bonds or to provide for changes to or from the book-entry system;

(l) to make revisions to the 2018B Bond Indenture that will become effective only upon, and in connection with, the remarketing of all of the Series 2018B Bonds then Outstanding; or

(m) to effect any other change in the 2018B Bond Indenture that will not materially adversely affect the interests of the bondholders.

Supplemental Bond Indentures Requiring Consent of Bondholders

Exclusive of supplemental indentures described under the caption “THE 2018B BOND INDENTURE—Supplemental Bond Indentures Not Requiring Consent of Bondholders,” with notice to and the consent of the Liquidity Facility Provider, if any, the owners of not less than a majority in

aggregate principal amount of the Series 2018B Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Authority and the Bond Trustee of such indenture or indentures supplemental to the 2018B Bond Indenture as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 2018B Bond Indenture; provided, however, that without the consent of the owners of all the Series 2018B Bonds at the time Outstanding nothing contained in the 2018B Bond Indenture will permit, or be construed as permitting:

(A) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Series 2018B Bond;

(B) the deprivation of the owner of any Series 2018B Bond then Outstanding of the lien created by the 2018B Bond Indenture (other than as permitted by the 2018B Bond Indenture when such Series 2018B Bond was initially issued);

(C) a privilege or priority of any Series 2018B Bond or Bonds over any other Series 2018B Bond or Bonds except as specifically permitted by the 2018B Bond Indenture; or

(D) a reduction in the aggregate principal amount of the Outstanding Series 2018B Bonds required for consent to such supplemental indenture.

If at any time the Authority requests the Bond Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Bond Trustee will, upon being satisfactorily indemnified by the Authority with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the owners by mailing a copy of such notice to their addresses as the same last appear upon the registration books. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated office of the Bond Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority following the giving of such notice, the owners of the requisite principal amount of the Series 2018B Bonds outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the 2018B Bond Indenture, no owner of any Series 2018B Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the 2018B Bond Indenture, the rights and obligations of the Authority, the Bond Trustee and the holders of the Series 2018B Bonds, and the terms and provisions of the Series 2018B Bonds and the 2018B Bond Indenture, may be modified or altered in any respect with the consent of the Authority, the Bond Trustee and the holders of all of the Series 2018B Bonds then Outstanding.

Defeasance

The Series 2018B Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Series 2018B Bonds Outstanding (including without limitation, Liquidity Facility Bonds), as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the provisions of the 2018B Bond Indenture) to pay when due or redeem all Series 2018B Bonds then Outstanding (including, without limitation, Liquidity Facility Bonds); or

(c) by delivering to the Bond Trustee, for cancellation by it, all Series 2018B Bonds then Outstanding.

If the Authority pays or causes to be paid all other sums payable under the 2018B Bond Indenture by the Authority, then and in that case at the election of the Authority (evidenced by a Certificate of the Authority filed with the Bond Trustee signifying the intention of the Authority to discharge all such indebtedness and the 2018B Bond Indenture), and notwithstanding that any Series 2018B Bonds have not been surrendered for payment, the 2018B Bond Indenture and the pledge of Revenues and other assets made under the 2018B Bond Indenture and all covenants, agreements and other obligations of the Authority under the 2018B Bond Indenture (except as otherwise provided in the provisions of the 2018B Bond Indenture described herein under the caption “THE 2018B BOND INDENTURE—Rebate Fund”) will cease, terminate, become void and be completely discharged and satisfied. In such event, upon the written request of the Authority, the Bond Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and will execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee will pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the 2018B Bond Indenture which are not required for the payment or redemption of Series 2018B Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund will be subject to the provisions of the 2018B Bond Indenture described herein under the caption “THE 2018B BOND INDENTURE—Rebate Fund.”

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the 2018B Bond Indenture) to pay or redeem any Outstanding Series 2018B Bond (whether upon or prior to its maturity or the redemption date of such Series 2018B Bond), provided that, if such Series 2018B Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the 2018B Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Series 2018B Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Series 2018B Bond by the Authority, and the Authority will remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment.

Whenever in the 2018B Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Series 2018B Bonds, the money or securities to be so deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the 2018B Bond Indenture (other than the Rebate Fund) and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Series 2018B Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the Maximum Rate for periods for which the actual interest rate on the Series 2018B Bonds

cannot be determined), except that, in the case of Series 2018B Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the 2018B Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Series 2018B Bonds and all unpaid interest thereon to the redemption date; or

(b) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Series 2018B Bonds cannot be determined), or to the redemption date, as the case may be, on the Series 2018B Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Series 2018B Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the 2018B Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice;

provided, in each case, that the Bond Trustee has been irrevocably instructed to apply such money to the payment of such principal or Redemption Price and interest with respect to such Series 2018B Bonds, and provided further, that with respect to the deposit of United States Government Obligations pursuant to subsection (b) above, the Bond Trustee has received (i) a verification report from a firm of independent accountants to the effect that the amount deposited is sufficient to make the payments specified therein and (ii) a Favorable Opinion of Bond Counsel with respect to such deposit and investment.

Notwithstanding any other provision of the Bond Indenture to the contrary, if Bonds bearing interest at a Weekly Interest Rate are to be defeased, then such defeasance will be effected only by (i) the deposit of lawful money of the United States of America as provided in (a) above without further investment or reinvestment, (ii) by a redemption of Series 2018B Bonds on a date not later than seven days after the date of defeasance and (iii) when an Outstanding Series 2018B Bond has been deemed to be paid because a deposit of such moneys has been made as described above, (a) if the Holder of such Series 2018B Bond delivers an optional tender notice with respect to such Series 2018B Bond that would result in the purchase of such Series 2018B Bond prior to its maturity or redemption date: (i) the Remarketing Agent shall not remarket such Series 2018B Bond; (ii) the Bond Trustee shall transfer to the Tender Agent, not later than 2:45 p.m., New York City time on the Purchase Date for such Series 2018B Bond moneys from the deposit made as described above sufficient to pay the Purchase Price of such Series 2018B Bond; (iii) the Tender Agent shall purchase such Series 2018B Bond on the Purchase Date applicable to such Series 2018B Bond; and (iv) such Series 2018B Bond shall be delivered to the Bond Trustee for cancellation and shall be cancelled, (b) the Interest Rate Period may not thereafter be converted to another Interest Rate Period by the Obligated Group Representative and (c) the surrender by the Tender Agent of any Liquidity Facility then in effect for cancellation prior to the maturity or redemption date of the Series 2018B Bonds shall not cause the Series 2018B Bonds to be subject to mandatory tender.

Continuing Disclosure

The Authority undertakes in the Bond Indenture all responsibility for compliance and causing the Obligated Group Representative to comply with continuing disclosure requirements with respect to S.E.C. Rule 15c2-12. Notwithstanding any other provision of the Bond Indenture, failure of the Authority, the Obligated Group Representative or the dissemination agent designated in the Continuing Disclosure Agreement to comply with the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Bond Trustee may (and, at the request of any participating underwriter designated in the Continuing Disclosure Agreement or the Holders of at least 25% aggregate principal amount of

Outstanding Series 2018B Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority and the Obligated Group Representative to comply with their continuing disclosure obligations, if any, with respect to the Series 2018B Bonds or to cause the Bond Trustee to comply with its continuing disclosure obligations.

THE 2018C BOND INDENTURE

Definitions

The following are definitions of certain terms used in the 2018C Bond Indenture and under this caption "THE 2018C BOND INDENTURE."

"Act" means Section 23-21-501, et seq., Colorado Revised Statutes, as the same may be amended from time to time.

"Alternate Liquidity Facility" means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility issued by a commercial bank, insurance company, pension fund or other institution and delivered to the Tender Agent in accordance with the 2018C Bond Indenture which replaces the Liquidity Facility then in effect; provided, however, that any amendment, extension, renewal or substitution of the Liquidity Facility then in effect for the purpose of extending the Expiration Date of such Liquidity Facility or modifying such Liquidity Facility pursuant to its terms (but not including any modification to the conditions to purchase or the automatic termination or suspension events) will not be deemed to be an Alternate Liquidity Facility for purposes of the Bond Indenture.

"Authority" means the University of Colorado Hospital Authority and its successors and assigns.

"Authorized Representative of the Authority," "Authorized Representative of the Obligated Group Representative" or "Authorized Representative" means the Chief Executive Officer, the Chief Financial Officer and the Secretary to the Board of Directors and General Counsel of the Authority or the Obligated Group Representative, respectively, and, when used with reference to an act or document, also means any other person authorized by resolution or by the bylaws of the Authority or the Obligated Group Representative, respectively, to perform such act or sign such document.

"Bond Counsel" means Kutak Rock LLP or any other attorney at law or firm of attorneys selected by the Authority or the Obligated Group Representative of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Interest Term" means, with respect to any Series 2018C Bond, each period established in accordance with the 2018C Bond Indenture during which such Series 2018C Bond shall bear interest at a Bond Interest Term Rate.

"Bond Interest Term Rate" means, with respect to each Series 2018C Bond, an interest rate on such Series 2018C Bond established periodically in accordance with the 2018C Bond Indenture.

"Bond Purchase Fund" means the fund by that name established pursuant to the 2018C Bond Indenture.

“Bond Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, as trustee under the 2018C Bond Indenture, and any of its successors and assigns thereunder.

“Bonds” or *“Series 2018C Bonds”* means the University of Colorado Hospital Authority Refunding Revenue Bonds, Series 2018C, as authorized by, and at any time Outstanding pursuant to the 2018C Bond Indenture.

“Business Day” means any day (a) on which banks located in (i) New York, New York, (ii) the city in which the Principal Office of the Bond Trustee is located (initially Minneapolis, Minnesota) and (iii) the city in which draft or draw notices for payment under any Liquidity Facility are required to be presented, are not required or authorized to be closed and (b) on which The New York Stock Exchange is open.

“Certificate,” “Statement,” “Request” and *“Requisition”* of the Authority or the Obligated Group Representative means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority or the Obligated Group Representative, respectively by an Authorized Representative of the Authority or the Obligated Group Representative, respectively. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto and any regulations promulgated thereunder.

“Commercial Paper Interest Rate Period” means each period with respect to the Series 2018C Bonds, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“Conversion” means a conversion of the Series 2018C Bonds (1) from one Interest Rate Period to another Interest Rate Period, (2) from one Long-Term Interest Rate Period to another Long-Term Interest Rate Period or (3) from one Index Floating Interest Rate Period to another Index Floating Interest Rate Period.

“Conversion Date” means the effective date of a Conversion of the Series 2018C Bonds.

“Cost of Issuance Fund” means the fund by that name established pursuant to the 2018C Bond Indenture.

“Date of Issuance” means July 26, 2018.

“Electronic Means” means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Eligible Bonds” means any Series 2018C Bonds other than Liquidity Facility Bonds or Series 2018C Bonds owned by, for the account of, or on behalf of, the Authority or any Member.

“Escrow Agent” means Wells Fargo Bank, National Association as the Refunded Bonds Trustee, acting as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the 2005A/B/C Escrow Agreement, dated as of July 1, 2018, among the Colorado Health Facilities Authority, Poudre Valley Health Care, Inc., Medical Center of the Rockies, the Authority, University of Colorado Health and the Escrow Agent.

“Event of Default” means any of the events specified in the provisions of the 2018C Bond Indenture described herein under the caption “THE 2018C BOND INDENTURE—Events of Default.”

“Expiration Date” means (i) the date upon which a Liquidity Facility is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Liquidity Facility, from time to time) in accordance with its terms, including without limitation termination upon delivery of an Alternate Liquidity Facility to the Tender Agent and (ii) the date upon which a Liquidity Facility terminates following voluntary termination by the Obligated Group Representative in connection with a change to a Self-Liquidity Arrangement pursuant to the 2018C Bond Indenture.

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Authority, the Obligated Group Representative, the Remarketing Agent (if any), the Liquidity Facility Provider (if any) and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of Colorado and the 2018C Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Funding Amount” means the amount of funds, if any, required to be transferred to the Tender Agent for the purpose of paying the Purchase Price of Purchased Series 2018C Bonds on any Purchase Date, which shall be the amount, if any, by which the total Purchase Price of such Purchased Series 2018C Bonds exceeds the sum of the amounts then on deposit in the Remarketing Proceeds Account.

“Funds” means the Cost of Issuance Fund, the Revenue Fund, the Redemption Fund, the Bond Purchase Fund and the Rebate Fund.

“Holder” or *“Bondholder,”* whenever used with respect to a Series 2018C Bond, means the Person in whose name such Series 2018C Bond is registered.

“Index Floating Interest Rate” means a variable interest rate on the Series 2018C Bonds established in accordance with the 2018C Bond Indenture.

“Index Floating Interest Rate Period” means each period during which an Index Floating Interest Rate is in effect.

“Initial Liquidity Facility” means the Standby Bond Purchase Agreement dated as of July 1, 2018, among University of Colorado Health, the Bond Trustee, the Tender Agent and the Initial Liquidity Facility Provider, as supplemented, amended and extended.

“Initial Liquidity Facility Provider” means TD Bank, N.A., and its permitted successors and assigns.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the 2018C Bond Indenture.

“Interest Accrual Date” means, (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period (whether or not a Business Day), except that the first two Interest Accrual Dates shall be the Date of Issuance of the Bonds and the first Wednesday of August, 2018.

“Interest Payment Date” means (i) with respect to any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day (the first Interest Payment Date for the Series 2018C Bonds is August 1, 2018); (ii) with respect to any Long-Term Interest Rate Period, each May 15 and November 15; (iii) with respect to any Bond Interest Term, the day next succeeding the last day thereof; (iv) with respect to any Index Floating Interest Rate Period, the first Business Day of each calendar month; (v) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and, (vi) with respect to any Liquidity Facility Bonds, the dates set forth in the applicable Liquidity Facility.

“Interest Rate Period” means a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, an Index Floating Interest Rate Period, or a Long-Term Interest Rate Period.

“Investment Securities” means any of the following which at the time of investment are legal investments under the laws of the State of Colorado for the moneys proposed to be invested therein:

(i) Bonds or obligations of counties, municipal corporations, school districts, political subdivisions, authorities, bodies of the State or organizations described in Section 501(c)(3) of the Code;

(ii) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(iii) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(iv) Bonds or other obligations issued by any Public Housing Agency or Municipal Corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States Government;

(v) Certificates of deposit of national or state banks located within the state which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within this state which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance

Corporation or the Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of New York, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within this state, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess; direct and general obligations of this state or of any county or municipal corporation in this state, obligations of the United States or subsidiary corporations included in paragraph (ii) hereof, obligations of the agencies of the United States Government included in paragraph (iii) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (iv) hereof;

(vi) Repurchase agreements with respect to obligations included in (i), (ii), (iii), (iv) or (v) above and any other investments to the extent at the time permitted by then applicable law for the investment of public funds;

(vii) Securities of or other interests (including those offered or managed by the Bond Trustee or its affiliates) in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(a) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraph (ii) hereof and repurchase agreements fully collateralized by any such obligations;

(b) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(c) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(d) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State of Colorado; and

(viii) Corporate debt obligations issued in the United States capital markets by United States companies and rated at the time of purchase in one of the three highest rating categories without giving effect to any gradations within such categories, by at least two nationally recognized securities rating agencies.

“Liquidity Facility” means the Initial Liquidity Facility or, in the event of the delivery of an Alternate Liquidity Facility, such Alternate Liquidity Facility delivered to the Tender Agent in accordance with the 2018C Bond Indenture.

“Liquidity Facility Account” means the account by that name in the Bond Purchase Fund established pursuant to the 2018C Bond Indenture.

“Liquidity Facility Bonds” means Series 2018C Bonds purchased with moneys drawn under (or otherwise obtained pursuant to the terms of) a Liquidity Facility, but excluding Series 2018C Bonds no longer considered to be Liquidity Facility Bonds in accordance with the terms of the applicable Liquidity Facility.

“Liquidity Facility Provider” means the commercial bank, insurance company, pension fund or other institution issuing (or having primary obligation, or acting as agent for the financial institutions obligated, under) a Liquidity Facility then in effect, including the Initial Liquidity Facility Provider in the case of the Initial Liquidity Facility.

“Liquidity Facility Rate” means the rate per annum, if any, specified in a Liquidity Facility as applicable to Liquidity Facility Bonds. While the Initial Liquidity Facility is in effect, the Liquidity Facility Rate shall be the “Bank Rate” as set forth and defined in the Initial Liquidity Facility.

“Long-Term Interest Rate” means, with respect to the Series 2018C Bonds, an interest rate established in accordance with the 2018C Bond Indenture.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect for the Series 2018C Bonds.

“Mandatory Liquidity Tender” means the mandatory tender of the Series 2018C Bonds pursuant to the 2018C Bond Indenture upon receipt by the Bond Trustee of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility providing for the purchase of such Series of Bonds has occurred which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility or cause a mandatory tender of the Series 2018C Bonds upon the designated notice. Mandatory Liquidity Tender shall not include circumstances, if any, where the Liquidity Facility Provider may suspend or terminate its obligations to purchase the Series 2018C Bonds without notice, in which case there will be no mandatory tender.

“Master Indenture” means the Master Trust Indenture, dated as of November 1, 1997, between the Obligated Group and the Master Trustee, as supplemented and amended from time to time, including as supplemented and amended by Supplemental Master Indenture No. 39C-1.

“Master Trustee” means Wells Fargo Bank, National Association, a national banking association, as Master Trustee under the Master Indenture, or its successor.

“Maximum Interest Rate” means (i) with respect to Series 2018C Bonds other than Liquidity Facility Bonds, 12% per annum, provided, however, that the Maximum Interest Rate with respect to Series 2018C Bonds other than Liquidity Facility Bonds shall not exceed the Maximum Lawful Rate, and (ii) with respect to Liquidity Facility Bonds, the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Member” means an Obligated Group Member.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Obligated Group” has the meaning set forth herein under the caption “THE MASTER INDENTURE—Definitions—Obligated Group.”

“Obligated Group Agent” has the meaning set forth herein under the caption “THE MASTER INDENTURE—Definitions—Obligated Group Agent,” and on the date hereof is University of Colorado Health.

“Obligated Group Member” means any Person which has from time to time become an Obligated Group Member pursuant to the provisions of the Master Indenture and has not withdrawn from the Obligated Group pursuant to the provisions of the Master Indenture.

“Obligated Group Purchase Account” means the account by that name in the Bond Purchase Fund established pursuant to the 2018C Bond Indenture.

“Obligated Group Representative” means the Obligated Group Agent as defined herein under the caption “THE 2018C BOND INDENTURE—Definitions—Obligated Group Agent” and on the date hereof is University of Colorado Health.

“Obligation No. 39C-1” means the obligation issued under the Master Indenture and Supplemental Master Indenture No. 39C-1.

“Optional Redemption Account” means the account by that name in the Redemption Fund established pursuant to the 2018C Bond Indenture.

“Outstanding,” when used as of any particular time with reference to the Series 2018C Bonds, means (subject to the provisions of the 2018C Bond Indenture) all Series 2018C Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the 2018C Bond Indenture except (1) Series 2018C Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Series 2018C Bonds with respect to which all liability of the Authority has been discharged in accordance with the 2018C Bond Indenture; and (3) Series 2018C Bonds for the transfer or exchange of or in lieu of or in substitution for which other Series 2018C Bonds have been authenticated and delivered by the Bond Trustee pursuant to the 2018C Bond Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the 2018C Bond Indenture.

“Principal Office” means, as appropriate, the designated corporate trust office of (1) the Bond Trustee, which as of the date hereof is located at Wells Fargo Bank, National Association, Corporate, Municipal and Escrow Solutions, 600 South 4th Street, 7th Floor, Minneapolis, MN 55415, Attention: Corporate Trust Services; or (2) the Tender Agent, which as of the date hereof, shall be the same as the Bond Trustee.

“Purchase Date” means the date on which Series 2018C Bonds are to be purchased pursuant to the provisions of the 2018C Bond Indenture.

“Purchase Price,” when used with respect to Purchased Series 2018C Bonds, means the principal amount of such Purchased Series 2018C Bonds plus accrued interest to, but not including, the Purchase Date; provided, however, that (1) if the Purchase Date for any Purchased Series 2018C Bond is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Series 2018C Bond shall be paid to the Holder of such Series 2018C Bond pursuant to the 2018C Bond Indenture and (2) in the case of a purchase on the first day of an Interest Rate Period which is

preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, “Purchase Price” of any Purchased Series 2018C Bonds means the optional redemption price set forth in the 2018C Bond Indenture which would have been applicable to such Series 2018C Bond if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day, plus accrued interest, if any.

“*Purchased Series 2018C Bonds*” means Series 2018C Bonds to be purchased upon their optional or mandatory tender pursuant to the provisions of the 2018C Bond Indenture.

“*Rating Agency*” means, as of any date, each of Moody’s, if the Series 2018C Bonds are then rated by Moody’s at the request of the Obligated Group Representative, Fitch, if the Series 2018C Bonds are then rated by Fitch at the request of the Obligated Group Representative, and S&P, if the Series 2018C Bonds are then rated by S&P at the request of the Obligated Group Representative.

“*Rebate Fund*” means the Rebate Fund established pursuant to the 2018C Bond Indenture.

“*Record Date*” means (i) with respect to any Series 2018C Bonds bearing interest at either a Weekly Interest Rate, a Bond Interest Term Rate or an Index Floating Interest Rate, the Business Day immediately preceding the related Interest Payment Date, and (ii) with respect to any Series 2018C Bonds bearing interest at a Long-Term Interest Rate, the first day of the month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

“*Redemption Fund*” means the fund by that name established pursuant to the 2018C Bond Indenture.

“*Redemption Price*” means, with respect to any Series 2018C Bond (or portion thereof), the principal amount of such Series 2018C Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Series 2018C Bond and the 2018C Bond Indenture.

“*Remarketing Agent*” means, with respect to the Series 2018C Bonds, any Remarketing Agent or successor or additional Remarketing Agent appointed in accordance with the 2018C Bond Indenture with respect to the Series 2018C Bonds. “Principal Office” of the Remarketing Agent means the address for the Remarketing Agent designated in writing to the Bond Trustee, the Authority and the Obligated Group Representative.

“*Remarketing Proceeds Account*” means the account by that name within the Bond Purchase Fund established pursuant to the 2018C Bond Indenture.

“*Required Stated Amount*” means with respect to a Liquidity Facility, at any time of calculation, an amount equal to the aggregate principal amount of all Series 2018C Bonds then Outstanding secured by such Liquidity Facility together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a Certificate of the Obligated Group Representative to be the minimum period specified by the Rating Agencies then rating such Series 2018C Bonds as necessary to obtain (or maintain) a specified short-term rating of such Series 2018C Bonds; provided, however, that with respect to the Initial Liquidity Facility, Required Stated Amount means an amount equal to the aggregate principal amount of all Series 2018C Bonds then Outstanding together with interest accruing thereon at a rate of 12% per annum for a period of 35 days.

“Responsible Officer” means, with respect to the Bond Trustee, any officer or authorized representative in its designated office or similar group administering the trusts under the 2018C Bond Indenture or any other officer of the Bond Trustee customarily performing functions similar to those performed by any of the above designated officers to whom a particular matter is referred by the Bond Trustee because of such officer’s or authorized representative’s knowledge of and familiarity with the particular subject.

“Revenue Fund” means the fund by that name established pursuant to the 2018C Bond Indenture.

“Revenues” means all payments in lawful money of the United States of America received by the Bond Trustee pursuant to Obligation No. 39C-1 and the 2018C Bond Indenture for payment of the Series 2018C Bonds.

“S&P” means S&P Global Ratings, its successors and assigns, or, if such organization is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Obligated Group Representative.

“Securities Depository” means The Depository Trust Company and its successors and assigns, or any other securities depository selected as set forth in the 2018C Bond Indenture.

“Self-Liquidity Arrangement” means the undertaking by the Authority (or the Obligated Group Representative on behalf of the Authority) of the obligation to purchase Series 2018C Bonds tendered for purchase pursuant to the 2018C Bond Indenture or subject to mandatory tender for purchase pursuant to the 2018C Bond Indenture, all in accordance with the 2018C Bond Indenture.

“SIFMA Index” means, for any day, the rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Bond Trustee and effective from such date.

“Sinking Fund Installment” means the amount required by the 2018C Bond Indenture to be paid by the Authority on any single date for the retirement of Series 2018C Bonds.

“Special Record Date” means the date established by the Bond Trustee pursuant to the 2018C Bond Indenture as the record date for the payment of defaulted interest on Series 2018C Bonds.

“Special Redemption Account” means the account by that name in the Redemption Fund established pursuant to the 2018C Bond Indenture.

“State” means the State of Colorado.

“Supplemental Bond Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Bond Trustee, supplementing, modifying or amending the 2018C Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is authorized to be entered into under the 2018C Bond Indenture.

“Supplemental Master Indenture No. 39C-1” means Supplemental Master Indenture No. 39C-1, dated as of July 1, 2018, between the Obligated Group Representative, on behalf of the Members of the Obligated Group, and the Master Trustee, which is a supplement to the Master Indenture.

“Tax Agreement” means the Tax Regulatory Agreement delivered by the Authority and the Obligated Group Representative at the time of issuance and delivery of the Series 2018C Bonds, as the same may be amended or supplemented in accordance with its terms.

“Tender Agent” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or its successor, as Tender Agent as provided in the 2018C Bond Indenture.

“Trust Estate” means the property and other rights assigned and pledged by the Authority to the Bond Trustee in the granting clauses of the 2018C Bond Indenture.

“2018C Bond Indenture” means the Bond Indenture of Trust, dated as of July 1, 2018, by and between the Authority and Wells Fargo Bank, National Association, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

“Undelivered Bonds” means any Series 2018C Bond which constitutes an Undelivered Bond under the provisions of the 2018C Bond Indenture.

“United States Government Obligations” means (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (2) certificates or other instruments which evidence ownership of the right to the payment of the principal of and interest on obligations described in clause (1) provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian and (3) municipal obligations the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2).

“Weekly Interest Rate” means a variable interest rate on the Series 2018C Bonds established in accordance with the 2018C Bond Indenture.

“Weekly Interest Rate Period” means each period with respect to the Series 2018C Bonds during which a Weekly Interest Rate is in effect.

Pledge and Agreement of the State of Colorado

Pursuant to Section 23-21-523 of the Act, the State of Colorado has pledged and agrees with the holders of any notes or bonds issued under the Act that the State of Colorado will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with said holders of any notes or bonds issued under the Act or in any way impair the rights and remedies of such holders until such notes and bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders are fully met and discharged. Nothing in the Act precludes such limitation or alteration if and when adequate provision is made by law for the protection of the holders of such bonds, notes or other obligations of the Authority or those entering into such contracts with the Authority.

General Provisions Relating to Tenders

Remarketing of Bonds. Immediately upon its receipt, but not later than 12:00 noon, New York City time on the following Business Day in the case of a Series 2018C Bond bearing interest at a Weekly Interest Rate, from a Holder of an optional tender notice, the Tender Agent shall notify the Bond Trustee,

the Remarketing Agent, the Liquidity Facility Provider (if any), the Obligated Group Representative and the Authority by telephone, promptly confirmed in writing, or by telecopy, of such receipt, specifying the principal amount of Series 2018C Bonds for which it has received an optional tender notice, the names of the Holders thereof and the date on which such Series 2018C Bonds are to be purchased in accordance with the 2018C Bond Indenture.

As soon as practicable, but in no event later than 4:00 p.m. New York City time on the last Business Day prior to a Purchase Date, the Remarketing Agent shall inform the Tender Agent by telephone, promptly confirmed in writing, of the principal amount of Purchased Series 2018C Bonds for which the Remarketing Agent has identified prospective purchasers and of the name, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Series 2018C Bonds to be purchased and the minimum authorized denominations in which such Purchased Series 2018C Bonds are to be delivered. Upon receipt from the Remarketing Agent of such information, the Tender Agent shall prepare Purchased Series 2018C Bonds in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

By 11:30 a.m. New York City time on the Purchase Date, the Tender Agent shall notify the Liquidity Facility Provider (if any), the Authority, and the Obligated Group Representative by telephone, promptly confirmed in writing, as to the aggregate Purchase Price of the Purchased Series 2018C Bonds and as to the projected Funding Amount.

Any Purchased Series 2018C Bonds which are subject to mandatory tender for purchase which are not presented to the Tender Agent on the Purchase Date and any Purchased Series 2018C Bonds which are the subject of an optional tender notice which are not presented to the Tender Agent on the Purchase Date, shall be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Bond Purchase Fund.

Deposits of Funds. The Tender Agent shall deposit into the Remarketing Proceeds Account any amounts received by it in immediately available funds by 11:15 a.m. New York City time on the Purchase Date from the Remarketing Agent against receipt of Series 2018C Bonds by the Remarketing Agent and on account of Purchased Series 2018C Bonds remarketed pursuant to the terms of the remarketing agreement.

By 11:30 a.m. New York City time on the Purchase Date, the Tender Agent shall notify the Liquidity Facility Provider (if any) for the Purchased Series 2018C Bonds, the Authority, and the Obligated Group Representative by telephone, immediately confirmed in writing, of the Funding Amount. If a Liquidity Facility is in effect with respect to the Purchased Series 2018C Bonds, the Tender Agent shall, at or before 12:00 noon, New York City time, on the Purchase Date, present drafts for payment under the Liquidity Facility in an amount equal to the Funding Amount. The Tender Agent shall deposit such amounts in the Liquidity Facility Account. If more than one Liquidity Facility is then in effect, the Tender Agent shall establish a separate subaccount in the Liquidity Facility Account for each Liquidity Facility and apply the moneys in such subaccounts solely to pay the purchase price of Purchased Series 2018C Bonds secured by such Liquidity Facility.

The Authority agrees in the 2018C Bond Indenture that, except with respect to (i) a mandatory tender for purchase on the first day of an Interest Rate Period for Series 2018C Bonds being converted from a Long-Term Interest Rate Period and (ii) a mandatory tender for purchase on any Business Day designated by the Obligated Group Representative, if a Liquidity Facility is not in effect with respect to the Series 2018C Bonds or if the Liquidity Facility Provider has not paid the full amount required by the Bond Indenture at the times required under the Bond Indenture, it shall pay to the Tender Agent all

amounts necessary for the purchase of Series 2018C Bonds and not deposited with the Tender Agent by the Remarketing Agent from the proceeds of the sale of such Series 2018C Bonds; such payment by the Authority (or the Obligated Group Representative on its behalf) shall be in immediately available funds, shall equal the Funding Amount, and shall be paid to the Tender Agent at its Principal Office by 2:45 p.m., New York City time, on each date upon which a Liquidity Facility is not in effect with respect to the Purchased Series 2018C Bonds or if the Liquidity Facility Provider has not paid the full amount at the times required therein. The Tender Agent shall deposit such amounts into the Obligated Group Purchase Account.

The Tender Agent shall hold all proceeds received from the Remarketing Agent, the Liquidity Facility Provider or the Authority in trust for the tendering Bondholders. In holding such proceeds and moneys, the Tender Agent will be acting on behalf of such Bondholders by facilitating purchase of the Series 2018C Bonds and not on behalf of the Authority or any Liquidity Facility Provider, and will not be subject to the control of any of them. Subject to the provisions described in the following two paragraphs, following the discharge of the lien created by the 2018C Bond Indenture or after payment in full of the Series 2018C Bonds, the Tender Agent shall pay any moneys remaining in any account of the Bond Purchase Fund directly to the Persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Bond Trustee that such Person is rightfully entitled to such money and the Tender Agent shall not pay such amounts to any other Person.

Disbursements; Payment of Purchase Price. Moneys delivered to the Tender Agent on a Purchase Date shall be applied before 3:00 p.m. New York City time on such Purchase Date to pay the Purchase Price of Purchased Series 2018C Bonds in immediately available funds as follows in the indicated order of application and, to the extent not so applied on such date, shall be held in the separate and segregated accounts of the Bond Purchase Fund for the benefit of the Holders of the Purchased Series 2018C Bonds which were to have been purchased:

FIRST: Moneys deposited in the Remarketing Proceeds Account.

SECOND: Moneys deposited in the Liquidity Facility Account.

THIRD: Moneys deposited in the Obligated Group Purchase Account.

Any moneys held by the Tender Agent in the Obligated Group Purchase Account remaining unclaimed by the Holders of the Purchased Series 2018C Bonds which were to have been purchased for three years after the respective Purchase Date for such Series 2018C Bonds shall be paid, upon the written request of the Obligated Group Representative to the Obligated Group Representative, against written receipt therefor. The Holders of Purchased Series 2018C Bonds who have not yet claimed money in respect of such Series 2018C Bonds shall thereafter be entitled to look only to the Tender Agent, to the extent it shall hold moneys on deposit in the Bond Purchase Fund or the Obligated Group Representative to the extent moneys have been transferred in accordance with this Section.

Delivery of Purchased Bonds. The Remarketing Agent shall give telephonic or electronic mail notice, promptly confirmed by a written notice, to the Tender Agent on each date on which Series 2018C Bonds shall have been purchased, specifying the principal amount of such Series 2018C Bonds, if any, sold by it along with a list of such purchasers showing the names and authorized minimum denominations in which such Series 2018C Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. By 11:30 a.m. New York City time, a principal amount of Series 2018C Bonds equal to the amount of Purchased Series 2018C Bonds purchased with moneys from the Remarketing Proceeds Account shall be made available by the Tender Agent to the Remarketing

Agent against payment therefor in immediately available funds. The Tender Agent shall prepare each Series 2018C Bond to be so delivered in such names as directed by the Remarketing Agent.

A principal amount of Bonds equal to the amount of Purchased Series 2018C Bonds purchased from moneys on deposit in the Liquidity Facility Account shall be delivered on the day of purchase by the Tender Agent to or as directed by the Liquidity Facility Provider. The Tender Agent shall register such Series 2018C Bonds in the name of the Liquidity Facility Provider or as otherwise provided in the Liquidity Facility.

A principal amount of Series 2018C Bonds equal to the amount of Purchased Series 2018C Bonds purchased from moneys on deposit in the Obligated Group Purchase Account shall be delivered on the day of such purchase by the Tender Agent to or as directed by the Obligated Group Representative. The Tender Agent shall register such Series 2018C Bonds in the name of the Authority or as otherwise directed by the Obligated Group Representative.

Qualifications of a Remarketing Agent; Resignation; Removal

Each Remarketing Agent shall be a member of the Financial Industry Regulatory Authority or subject to supervision by the Office of the Comptroller of the Currency, having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by the 2018C Bond Indenture. Any successor Remarketing Agent shall at the time of its appointment have senior unsecured long term debt which shall be rated, so long as the Series 2018C Bonds with respect to which it is serving as Remarketing Agent shall be rated by Moody's, at least Baa3/P-3 or otherwise qualified by Moody's.

A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the 2018C Bond Indenture by giving notice to the Tender Agent, the Authority and the Liquidity Facility Provider (if any). Such resignation shall take effect on the sixtieth day after the receipt by the Authority of the notice of resignation. A Remarketing Agent may be removed at the direction of the Authority (or the Obligated Group Representative on behalf of the Authority) at any time on forty-five days prior written notice, by an instrument signed by the Authority (or the Obligated Group Representative on behalf of the Authority), filed with such Remarketing Agent, the Liquidity Facility Provider (if any), the Bond Trustee and the Tender Agent. If the Remarketing Agent resigns and no successor has been appointed by the effective date of such resignation, the Bond Trustee shall promptly give notice of that fact by first-class mail to the Holders of the Series 2018C Bonds and to each Rating Agency then rating such Series 2018C Bonds.

Successor Remarketing Agents

Any corporation, association, partnership or firm which succeeds to the business of a Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Remarketing Agent under the 2018C Bond Indenture.

In the event that a Remarketing Agent has given notice of resignation or has been notified of its impending removal, the Authority (or the Obligated Group Representative on behalf of the Authority) shall appoint a successor Remarketing Agent.

In the event that a Remarketing Agent shall resign, be removed or be dissolved, or if the property or affairs of a Remarketing Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority (or

the Obligated Group Representative on behalf of the Authority) shall not have appointed its successor within thirty days, the Authority or the Obligated Group Representative shall apply to a court of competent jurisdiction for such appointment.

Qualifications of Tender Agent; Resignation; Removal

Any successor Tender Agent shall be a commercial bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$50,000,000 at the time of its appointment and authorized by law to perform all the duties imposed upon it by the 2018C Bond Indenture. Subject to the next succeeding paragraph, any Tender Agent may resign at any time, and be discharged of the duties and obligations created by the 2018C Bond Indenture by giving at least sixty days' notice to the Authority, the Obligated Group Representative, the Liquidity Facility Provider (if any), and the Bond Trustee. Subject to the next succeeding paragraph, any Tender Agent may be removed at any time, by an instrument signed by the Authority (or the Obligated Group Representative on behalf of the Authority) and filed with the Bond Trustee, the Remarketing Agent, and the Liquidity Facility Provider (if any).

Upon the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any moneys and/or Series 2018C Bonds held by it in such capacity to its successor. In the event of the resignation of a Tender Agent who is also serving in the capacity of Bond Trustee, the Bond Trustee shall also tender its resignation in accordance with the provisions of the 2018C Bond Indenture. No such resignation or removal shall be effective until a successor has been appointed and accepted such duties.

Successor Tender Agents

Any corporation, association, partnership or firm which succeeds to the business of the Tender Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of such Tender Agent under the 2018C Bond Indenture.

In the event that the Tender Agent has given notice of resignation or has been notified of its impending removal, the Authority (or the Obligated Group Representative on behalf of the Authority) shall appoint a successor Tender Agent.

In the event that the Tender Agent shall resign, be removed or be dissolved, or if the property or affairs of the Tender Agent shall be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority (or the Obligated Group Representative on behalf of the Authority) shall not have appointed its successor within thirty days, the Authority or the Obligated Group Representative shall apply to a court of competent jurisdiction for such appointment.

Liquidity Facility; Alternate Liquidity Facility

Upon the issuance of the Series 2018C Bonds, the Initial Liquidity Facility will be in effect with respect to the Series 2018C Bonds. The Authority (or the Obligated Group Representative on behalf of the Authority) may, at any time at its sole option, deliver to the Tender Agent an Alternate Liquidity Facility in substitution for a Liquidity Facility, or may, at any time at its sole option proceed in a Self-Liquidity Arrangement without a Liquidity Facility with respect to the Series 2018C Bonds available for use by the Tender Agent to provide for the purchase of the Series 2018C Bonds upon their optional or mandatory tender in accordance with the 2018C Bond Indenture. Any Liquidity Facility or Alternate

Liquidity Facility shall be in an amount equal to the Required Stated Amount for the Series 2018C Bonds with a term of at least 360 days from the effective date thereof.

Any Alternate Liquidity Facility delivered to the Tender Agent shall be delivered and become effective not later than one Business Day prior to the date on which the former Liquidity Facility, if any, terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent. On or prior to the date of the delivery of a Liquidity Facility or Alternate Liquidity Facility to the Tender Agent, the Authority (or the Obligated Group Representative on behalf of the Authority) shall furnish to the Tender Agent (i) if the Liquidity Facility or Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee and the Remarketing Agent that no registration of the Liquidity Facility or Alternate Liquidity Facility is required under the Securities Act, and no qualification of the 2018C Bond Indenture is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (ii) an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Bond Trustee to the effect that such Liquidity Facility or Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

In lieu of the Opinion of Counsel described above, there may be delivered an Opinion of Counsel addressed to the Authority, the Obligated Group Representative, the Bond Trustee, the Tender Agent and the Remarketing Agent and satisfactory to the Remarketing Agent to the effect that either (i) at all times during the term of the Liquidity Facility or Alternate Liquidity Facility, the Series 2018C Bonds will be offered, sold and held by Holders in transactions not constituting a public offering of such Series 2018C Bonds or the Liquidity Facility or Alternate Liquidity Facility under the Securities Act, and accordingly no registration of the Liquidity Facility or Alternate Liquidity Facility under the Securities Act nor qualification of the 2018C Bond Indenture under the Trust Indenture Act will be required in connection with the issuance and delivery of the Liquidity Facility or Alternate Liquidity Facility or the remarketing of such Series 2018C Bonds with the benefits thereof, or (ii) the offering and sale of the Series 2018C Bonds, to the extent evidencing the Liquidity Facility or Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (i) of this paragraph is given, the Series 2018C Bonds and any transfer records relating to the Series 2018C Bonds shall be noted indicating the restrictions on sale and transferability described in clause (i).

Self-Liquidity Arrangements

The Authority (or the Obligated Group Representative on behalf of the Authority), at its sole option, may maintain a Self-Liquidity Arrangement in lieu of a Liquidity Facility. A Self-Liquidity Arrangement will become effective upon delivery to the Tender Agent of letters from each Rating Agency then rating the Series 2018C Bonds at the request of the Authority confirming that the Series 2018C Bonds are rated in the highest short term Rating Category. A Self Liquidity Arrangement will thereupon be deemed to be in effect with respect to the Series 2018C Bonds and shall remain in effect with respect to the Series 2018C Bonds until the earlier of a Conversion Date or the date on which the Authority (or the Obligated Group Representative on behalf of the Authority) provides a Liquidity Facility pursuant to the 2018C Bond Indenture.

Establishment of Funds and Accounts

The 2018C Bond Indenture creates various funds and accounts, including the Cost of Issuance Fund, the Revenue Fund, the Redemption Fund, the Rebate Fund and the Bond Purchase Fund.

Cost of Issuance Fund. The Bond Trustee establishes, maintains and holds in trust under the 2018C Bond Indenture a separate fund designated as the “Cost of Issuance Fund.” A portion of the proceeds of the Series 2018C Bonds will be deposited to the Cost of Issuance Fund on the Date of Issuance. There will also be retained in the Cost of Issuance Fund interest and other income received on investments of Cost of Issuance Fund moneys as provided in the 2018C Bond Indenture. Such money will be expended as directed by the Authority (or the Obligated Group Representative on behalf of the Authority) in writing to pay expenses incurred in connection with the issuance of the Series 2018C Bonds. The Bond Trustee is authorized and directed under the 2018C Bond Indenture to draw on the Cost of Issuance Fund for each such payment.

The Bond Trustee will keep and maintain adequate records pertaining to the Cost of Issuance Fund and all payments therefrom, which shall be open to inspection by the Authority or its duly authorized agents during normal business hours of the Bond Trustee. After all expenses incurred in connection with the issuance of the Series 2018C Bonds have been paid and a certificate of payment of all costs filed as provided in the 2018C Bond Indenture, the Bond Trustee will file a statement of income and disbursements with respect thereto with the Authority and the Obligated Group Representative.

Upon receipt by the Bond Trustee of a certificate signed by an Authorized Representative of the Authority (or an Authorized Representative of the Obligated Group Representative on behalf of the Authority) stating that all expenses incurred in connection with the issuance of the Series 2018C Bonds have been paid, any moneys remaining in the Cost of Issuance Fund will be transferred, at the option of the Authority (or an Authorized Representative of the Obligated Group Representative on behalf of the Authority), into the Principal Account of the Revenue Fund or the Interest Account of the Revenue Fund and used to pay the principal of or interest next coming due on the Series 2018C Bonds.

The Cost of Issuance Fund will be in the custody of the Bond Trustee but in the name of the Authority and the Authority authorizes and directs the Bond Trustee under the 2018C Bond Indenture to withdraw sufficient funds from the Cost of Issuance Fund for the purposes set forth in the 2018C Bond Indenture, which authorization and direction the Bond Trustee accepts under the 2018C Bond Indenture.

Revenue Fund.

Pledge and Assignment; Revenue Fund All Revenues and all moneys transferred to the Revenue Fund from the Cost of Issuance Fund pursuant to the 2018C Bond Indenture will be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the Bond Trustee is directed to establish, maintain and hold in trust under the 2018C Bond Indenture, except as otherwise provided in the 2018C Bond Indenture and except that all moneys received by the Bond Trustee and required by Obligation No. 39C-1 to be deposited in the Bond Purchase Fund or the Redemption Fund, will be promptly deposited in the Bond Purchase Fund and Redemption Fund, respectively. All Revenues deposited with the Bond Trustee will be held, disbursed, allocated and applied by the Bond Trustee only as provided in the 2018C Bond Indenture.

Allocation of Revenues On or before the dates specified below, the Bond Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee is directed under the 2018C Bond Indenture to establish and maintain within the Revenue Fund) the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: on or before each Interest Payment Date, to the Interest Account, the amount of interest becoming due and payable on such Interest Payment Date on all Series 2018C Bonds then Outstanding, until the balance in said account is equal to said amount of interest; and

Second: to the Principal Account, on or before each November 15 commencing November 15, 2035, the amount of the Sinking Fund Installments or principal at maturity becoming due and payable on such November 15, until the balance in said account is equal to said amount of such Sinking Fund Installments or principal at maturity, as applicable.

Any moneys remaining in the Revenue Fund after the foregoing transfers will be transferred to the Authority as an overpayment.

Application of Interest Account. All amounts in the Interest Account will be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Series 2018C Bonds as it becomes due and payable (including accrued interest on any Series 2018C Bonds purchased or redeemed prior to maturity pursuant to the 2018C Bond Indenture).

Application of Principal Account. All amounts in the Principal Account will be used and withdrawn by the Bond Trustee solely to purchase or redeem or pay Sinking Fund Installments as described in the body of this Official Statement under the caption “THE SERIES 2018C BONDS—Redemption—Mandatory Sinking Fund Redemption” or pay at maturity the Series 2018C Bonds as provided in the 2018C Bond Indenture.

On each Sinking Fund Installment date established pursuant to the 2018C Bond Indenture, the Bond Trustee will apply the Sinking Fund Installment required on that date to the redemption (or payment at maturity, as the case may be) of Series 2018C Bonds, upon the notice and in the manner provided in the 2018C Bond Indenture.

Redemption Fund. The Bond Trustee establishes, maintains and holds in trust under the 2018C Bond Indenture a fund separate from any other fund established and maintained under the 2018C Bond Indenture designated as the “Redemption Fund” and within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account will be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Series 2018C Bonds, in the manner and upon the terms and conditions specified in the 2018C Bond Indenture which are described in the body of this Official Statement under the caption “THE SERIES 2018C BONDS—Redemption,” at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee will, upon direction of the Authority (or the Obligated Group Representative on behalf of the Authority), apply such amounts to the purchase of Series 2018C Bonds in accordance with the 2018C Bond Indenture; and provided further that, in the case of the Optional Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against principal and interest payments on any of the Series 2018C Bonds in order of their due date as set forth in a Request of the Authority (or the Obligated Group Representative on behalf of the Authority).

Rebate Fund. The Bond Trustee establishes and maintains a fund under the 2018C Bond Indenture separate from any other fund established and maintained under the Bond Indenture designated

as the Rebate Fund. Within the Rebate Fund, the Bond Trustee maintains such accounts as specified by the Tax Agreement. Subject to the transfer provisions of the 2018C Bond Indenture described in the fifth paragraph of this caption “THE 2018C BOND INDENTURE—Establishment of Funds and Accounts—Rebate Fund,” all money at any time deposited in the Rebate Fund will be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Agreement), for payment to the federal government of the United States of America. Neither the Authority nor the Holder of any Series 2018C Bonds will have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund will be governed by the 2018C Bond Indenture and by the Tax Agreement.

Upon the Authority’s or the Obligated Group Representative’s written direction, an amount will be deposited to the Rebate Fund by the Bond Trustee from deposits by the Authority or the Obligated Group Representative or from available investment earnings on amounts held in the Revenue Fund, if and to the extent required, so that the balance in the Rebate Fund will equal the Rebate Amount. Computations of the Rebate Amount will be furnished to the Bond Trustee by or on behalf of the Authority in accordance with the Tax Agreement.

The Bond Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the 2018C Bond Indenture, other than from moneys held in the funds and accounts created under the 2018C Bond Indenture or from other moneys provided to it by the Authority or the Obligated Group Representative.

At the written direction of the Authority or the Obligated Group Representative, each acting in accordance with the restrictions set forth in the Tax Agreement, the Bond Trustee will invest all amounts held in the Rebate Fund in Investment Securities. None of the Authority, the Obligated Group Representative, or the Bond Trustee shall be liable for any consequences arising from such investment. Money shall not be transferred from the Rebate Fund except as provided in the 2018C Bond Indenture provisions summarized in the fifth paragraph of this caption “THE 2018C BOND INDENTURE—Establishment of Funds and Accounts—Rebate Fund.”

Upon receipt of the Authority’s or the Obligated Group Representative’s written directions, the Bond Trustee will remit part or all of the balances in the Rebate Fund to the United States, as so directed. Any excess moneys contained in the Rebate Fund will, at the written direction of the Authority or the Obligated Group Representative, be transferred to the Interest Account of the Revenue Fund or the Principal Account of the Revenue Fund. Any funds remaining in the Rebate Fund after redemption and payment of all of the Series 2018C Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor satisfactory to the Bond Trustee, will be withdrawn and remitted to the Authority.

Notwithstanding any other provision of the 2018C Bond Indenture, including in particular the provisions of the 2018C Bond Indenture described herein under the caption “THE 2018C BOND INDENTURE—Defeasance,” the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the 2018C Bond Indenture and the Tax Agreement will survive the defeasance or payment in full of the Series 2018C Bonds.

Bond Purchase Fund. There will be created and established under the 2018C Bond Indenture with the Tender Agent a fund to be designated the “Bond Purchase Fund” to be held in trust only for the benefit of the Holders of tendered Series 2018C Bonds who shall thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Series 2018C Bonds. Neither the Authority nor the Obligated Group Representative will have any right, title or interest in any of the funds held on deposit in the Remarketing Proceeds Account or the Liquidity Facility Account nor any remarketing proceeds held for any period of time by the Remarketing Agent.

There will be created and designated the following accounts within the Bond Purchase Fund: the “Remarketing Proceeds Account,” the “Liquidity Facility Account” and the “Obligated Group Purchase Account.” Moneys paid to the Tender Agent for the purchase of tendered or deemed tendered Series 2018C Bonds received from (i) the Remarketing Agent shall be deposited in the Remarketing Proceeds Account in accordance with the provisions of the 2018C Bond Indenture, (ii) a Liquidity Facility Provider pursuant to a Liquidity Facility, if any, shall be deposited in the Liquidity Facility Account in accordance with the provisions of the 2018C Bond Indenture, and (iii) the Obligated Group Agent or any other Member shall be deposited in the Obligated Group Purchase Account in accordance with the provisions of the 2018C Bond Indenture. Moneys provided from payments made under the Liquidity Facility (if any) not required to be used in connection with the purchase of tendered Series 2018C Bonds shall be returned to the Liquidity Facility Provider in accordance with the 2018C Bond Indenture. Moneys provided by the Obligated Group Representative or other Member not required to be used in connection with the purchase of tendered Series 2018C Bonds shall be returned to the Obligated Group Representative in accordance with the 2018C Bond Indenture.

Moneys in the Liquidity Facility Account, the Obligated Group Purchase Account and the Remarketing Proceeds Account shall not be commingled with other funds held by the Tender Agent and shall remain uninvested.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the 2018C Bond Indenture (other than the Bond Purchase Fund) will be invested by the Bond Trustee, upon direction of the Authority or the Obligated Group Representative, solely in Investment Securities. Moneys in the Bond Purchase Fund will remain uninvested.

Investment Securities will be purchased at such prices as the Authority or the Obligated Group Representative may direct. The directions of the Authority or the Obligated Group Representative, as applicable, will be given in accordance with the limitations set forth in the 2018C Bond Indenture provisions described herein under the caption “THE 2018C BOND INDENTURE—Tax Covenant.” All Investment Securities will be acquired subject to the limitations as to maturities hereinafter set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Authority or the Obligated Group Representative.

Moneys in all funds and accounts (other than the Bond Purchase Fund) will be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the 2018C Bond Indenture. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement.

All interest, profits and other income received from the investment of moneys in the Rebate Fund will be deposited when received in such respective fund. All interest, profits and other income received from the investment of moneys in the Cost of Issuance Fund will be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to the 2018C Bond Indenture will be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in the 2018C Bond Indenture provisions summarized in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under the 2018C Bond Indenture will be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account will be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or par value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the amounts on deposit in the funds or accounts established pursuant to the 2018C Bond Indenture (other than the Bond Purchase Fund or the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee under the 2018C Bond Indenture will be accounted for separately as required by the 2018C Bond Indenture. The Bond Trustee may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell at the best price reasonably obtainable, or present for redemption, any Investment Securities so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, the Bond Trustee will not be liable nor responsible for any loss resulting from any investment made in accordance with the provisions of the 2018C Bond Indenture, except for any loss finally adjudicated by a court of competent jurisdiction to have been caused solely by the negligence or willful misconduct of the Bond Trustee.

Tax Covenant

The Authority covenants and represents in the 2018C Bond Indenture to the Bond Trustee for the benefit of the Holders of the Series 2018C Bonds that it will not take any action or omit to take any action with respect to the Series 2018C Bonds, the proceeds thereof, or any other funds of the Authority, or any facilities financed or refinanced with the proceeds of the Series 2018C Bonds if such action or omission (a) would cause the interest on the Series 2018C Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103(a) of the Code, (b) would cause interest on the Series 2018C Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income for taxable years beginning before January 1, 2018, or (c) would cause interest on the Series 2018C Bonds to lose its exclusion from State of Colorado taxable income under present laws of the State of Colorado. The foregoing covenant will remain in full force and effect notwithstanding the payment in full or defeasance of the Series 2018C Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Code have been met.

No Arbitrage

The Authority agrees in the 2018C Bond Indenture to restrict the use of proceeds of the Series 2018C Bonds in such manner and to such extent as necessary to assure that the Series 2018C Bonds will not constitute arbitrage bonds under Section 148 of the Code. Any Authorized Representative of the Authority having responsibility with respect to the issuance of the Series 2018C Bonds is authorized and directed, alone or in conjunction with any other officer, employee or consultant of the Authority, to give an appropriate certificate on behalf of the Authority, for inclusion in the transcript of proceedings for the Series 2018C Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code.

Events of Default

Each of the following is defined as and shall be deemed an “Event of Default”:

(a) default in the due and punctual payment of the principal or Redemption Price of any Series 2018C Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise or default in the redemption of any Series 2018C Bonds from Sinking Fund Installments in the amount and at the times provided therefor;

(b) default in the due and punctual payment of any installment of interest on any Series 2018C Bond when and as such interest installment becomes due and payable;

(c) failure to pay the Purchase Price of any Series 2018C Bond tendered pursuant to the 2018C Bond Indenture when such payment is due (except with respect to payment of the Purchase Price of any Series 2018C Bond subject to mandatory tender for purchase on any Business Day designated by the Obligated Group Representative);

(d) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the 2018C Bond Indenture or in the Series 2018C Bonds contained, if such default has continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority by the Bond Trustee, or to the Authority and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2018C Bonds at the time Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period but can be corrected, the Bond Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted within the applicable period and diligently pursued until the failure is corrected;

(e) the occurrence of an “event of default” as defined in the Master Indenture; and

(f) declaration under the provisions of the Master Indenture that the principal of any of Obligation No. 39C-1 or all Obligations is immediately due and payable.

Within five days after actual knowledge by the Bond Trustee of an Event of Default described under clause (a), (b) or (c) above, the Bond Trustee will give written notice, by registered or certified mail, to the Authority, the Obligated Group Representative, the Master Trustee and the Bondholders.

Remedies on Events of Default

Upon the occurrence of an Event of Default, the Bond Trustee has the following rights and remedies:

Acceleration. The Bond Trustee may, or (i) upon the occurrence of any Event of Default described in the provisions of the 2018C Bond Indenture described in clause (a), (b) or (c) under the caption “THE 2018C BOND INDENTURE—Events of Default” herein known to a Responsible Officer of the Bond Trustee, or (ii) upon the written request of the owners of not less than a majority in aggregate principal amount of the Series 2018C Bonds then Outstanding, will, by notice in writing given to the Authority and the Obligated Group Representative, declare the principal amount of all Series 2018C Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable.

Upon any declaration of acceleration hereunder, the Bond Trustee will request the Master Trustee to declare all payments under Obligation No. 39C-1 to be immediately due and payable

as provided in the Master Indenture and to the extent the principal of all the Obligations has not then been declared to be immediately due and payable, the Bond Trustee shall request the Master Trustee to declare the principal of all Obligations to be immediately due and payable pursuant to the Master Indenture.

The provisions of the preceding paragraph, however, are subject to the condition that if, after the principal of the Series 2018C Bonds and the principal of the Obligations have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered as hereinafter provided, (i) there is deposited with the Bond Trustee a sum sufficient to pay all matured installments of interest upon all Series 2018C Bonds and the principal of any and all Series 2018C Bonds which have become due otherwise than by reason of such declaration and such amount as shall be sufficient to cover reasonable compensation and reimbursement of reasonable expenses payable to the Bond Trustee, the Tender Agent and the paying agent (initially the Bond Trustee) and the reasonable fees and expenses of their counsel, (ii) all Events of Default under the 2018C Bond Indenture other than nonpayment of the principal of Series 2018C Bonds which have become due by such declaration have been remedied, and (iii) the declaration of acceleration of the Obligations will be annulled in accordance with the provisions of the Master Indenture, then, and in every such case, such Event of Default will be deemed waived and such declaration and its consequences rescinded or annulled, and the Bond Trustee will promptly give written notice of such waiver, rescission or annulment to the Authority, the Obligated Group Representative, the Tender Agent, paying agent, and the Master Trustee and will give notice thereof to the bondholders of Outstanding Series 2018C Bonds; but no such waiver, rescission or annulment will extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Legal Proceedings. The Bond Trustee may, by mandamus, or other suit, action or proceeding at law or in equity, enforce the rights of the bondholders, and require the Authority to carry out the agreements with or for the benefit of the Bondholders, and to perform its duties, under Obligation No. 39C-1 and the 2018C Bond Indenture. The Bond Trustee may also, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the bondholders.

Receivership. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the bondholders, the Bond Trustee will be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the rents, revenues, income, products and profits thereof, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee or other custodian, the Bond Trustee will be entitled to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of the 2018C Bond Indenture to, the Bond Trustee.

Suit for Judgment on the Bonds. The Bond Trustee will be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of the 2018C Bond Indenture, for the enforcement of any of its rights, or the rights of the Bondholders under the 2018C Bond Indenture, but any such judgment against the Authority will be enforceable only against the Trust Estate, including Obligation No. 39C-1. No recovery of any judgment by the Bond Trustee will in any manner or to any extent affect the lien of the 2018C Bond Indenture or any rights, powers or remedies of the Bond Trustee under the 2018C Bond Indenture, or any lien, rights, powers or remedies of the owners of the Series 2018C Bonds, but such lien, rights, powers and remedies of the Bond Trustee and of the Bondholders will continue unimpaired as before.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy will be cumulative and in addition to any other right or remedy given under the 2018C Bond Indenture or now or hereafter existing at law or in equity or by statute.

If any Event of Default has occurred and if requested by the owners of not less than a majority in aggregate principal amount of Series 2018C Bonds then Outstanding and indemnified as provided in the 2018C Bond Indenture, the Bond Trustee will be obligated to exercise such one or more of the rights and powers conferred by the provisions of the 2018C Bond Indenture summarized under this caption as the Bond Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders.

In the event that the Master Trustee has accelerated the Obligations and is pursuing its available remedies under the Master Indenture, the Bond Trustee will not pursue its available remedies under the 2018C Bond Indenture or Obligation No. 39C-1 in such manner as to hinder or frustrate the pursuit by the Master Trustee of its remedies under the Master Indenture; notwithstanding the foregoing, however, the Master Trustee will act as the final authority in enforcing any provision of the 2018C Bond Indenture described above or in taking any action under the 2018C Bond Indenture described above.

Majority of Bondholders May Control Proceedings

Anything in the 2018C Bond Indenture to the contrary notwithstanding and subject to the last paragraph under the caption “THE 2018C BOND INDENTURE—Remedies on Events of Default—Suit for Judgment on the Bonds,” the owners of a majority in aggregate principal amount of the Series 2018C Bonds then Outstanding will have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the 2018C Bond Indenture, or for the appointment of a receiver, or any other proceedings under the 2018C Bond Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the 2018C Bond Indenture. The Bond Trustee will not be required to act on any direction given to it as described under this caption unless indemnified as provided in the 2018C Bond Indenture.

Rights and Remedies of Bondholders

No owner of any Series 2018C Bond will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the 2018C Bond Indenture or for the execution of any trust of the 2018C Bond Indenture or for the appointment of a receiver or any other remedy under the 2018C Bond Indenture, unless a default has occurred of which the Bond Trustee has been notified as provided in the 2018C Bond Indenture, or of which it is deemed to have notice pursuant to the 2018C Bond Indenture, nor unless such default has become an Event of Default and the owners of not less than a majority in aggregate principal amount of Series 2018C Bonds then Outstanding have made written request to the Bond Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted under the 2018C Bond Indenture or to institute such action, suit or proceeding in its own name, nor unless they have also offered to the Bond Trustee indemnity as provided in the 2018C Bond Indenture nor unless the Bond Trustee thereafter fails or refuses to exercise the powers granted under the 2018C Bond Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared under the 2018C Bond Indenture in every case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the 2018C Bond Indenture, and to any action or cause of action for the enforcement of the 2018C Bond Indenture, or for the appointment of a receiver or for any other remedy under the 2018C Bond Indenture; it being understood and intended that no one or more owners of the Series 2018C Bonds will have the

right in any manner whatsoever to affect, disturb or prejudice the lien of the 2018C Bond Indenture by his, her or their action or to enforce any right under the 2018C Bond Indenture except in the manner provided in the 2018C Bond Indenture and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the 2018C Bond Indenture and for the equal benefit of the owners of all Series 2018C Bonds then Outstanding. Nothing contained in the 2018C Bond Indenture, however, will affect or impair the right of any owner of Series 2018C Bonds to enforce the payment, by the institution of any suit, action or proceeding in equity or at law, of the principal (and Purchase Price on a Purchase Date) of, premium, if any, or interest on any Series 2018C Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal (and Purchase Price on a Purchase Date) of, premium, if any, and interest on each of the Series 2018C Bonds to the respective owners of the Series 2018C Bonds at the time and place, from the source and in the manner in the 2018C Bond Indenture and in the Series 2018C Bonds expressed.

Application of Moneys

All moneys received by the Bond Trustee pursuant to any right given or action taken under the provisions of the 2018C Bond Indenture relating to Events of Default and remedies therefor (other than any remarketing proceeds or money received pursuant to a draw or demand on a Liquidity Facility) will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the expenses, liabilities and advances incurred or made by the Bond Trustee, including any unpaid fees of the Bond Trustee, first, to the extent of any deficiency of required amounts in the Rebate Fund, be deposited in the Rebate Fund, and thereafter will be deposited in the Revenue Fund and all moneys so deposited in the Revenue Fund and all moneys held or deposited in the Revenue Fund during the continuance of an Event of Default will be applied as follows:

(a) Unless the principal of all the Series 2018C Bonds has become or has been declared due and payable, all such moneys will be applied:

FIRST, to the payment to the persons entitled thereto of all installments of interest then due on the Outstanding Series 2018C Bonds (including Liquidity Facility Bonds), in the order of the maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND, to the payment to the persons entitled thereto of the unpaid principal (and Purchase Price with respect to a Purchase Date) of and premium, if any, on any of the Outstanding Series 2018C Bonds (including Liquidity Facility Bonds) which have become due (other than Series 2018C Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the 2018C Bond Indenture), in the order of their due dates, with interest on the unpaid principal and such Purchase Price of and premium, if any, on such Series 2018C Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Outstanding Series 2018C Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege; and

(b) If the principal of all the Outstanding Series 2018C Bonds has become due or has been declared due and payable, all such moneys will be applied to the payment of the principal and interest then due and unpaid upon all of the Outstanding Series 2018C Bonds (including Liquidity Facility Bonds), without preference or priority of principal over interest or of interest

over principal, or of any installment of interest over any other installment of interest, or of any Series 2018C Bond (including Liquidity Facility Bonds) over any other Series 2018C Bond (including Liquidity Facility Bonds), ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Outstanding Series 2018C Bonds has been declared due and payable, and if such declaration is thereafter rescinded and annulled under the provisions of the 2018C Bond Indenture relating to Events of Default and remedies therefor then, subject to the provisions of the 2018C Bond Indenture described in paragraph (b) above, in the event that the principal of all the Series 2018C Bonds will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of the 2018C Bond Indenture described in paragraph (a) above.

Whenever moneys are to be applied pursuant to the provisions of the 2018C Bond Indenture, such moneys will be applied at such times, and from time to time, as the Bond Trustee determines, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee applies such funds, it will fix the date (which will be an Interest Payment Date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Bond Trustee will give such notice as it may deem appropriate of the deposit of any such moneys and of the fixing of any such date, and will not be required to make payment to the owner of any Series 2018C Bond until such Series 2018C Bond is presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Outstanding Series 2018C Bonds and interest thereon have been paid under the provisions of the 2018C Bond Indenture and all expenses and fees of the Bond Trustee have been paid under the 2018C Bond Indenture and under Obligation No. 39C-1, any balance remaining in the Funds (other than the Rebate Fund and the Bond Purchase Fund) will be paid to the Authority. Release of moneys in the Rebate Fund shall be governed by the 2018C Bond Indenture and the Tax Agreement. Release of moneys in the Bond Purchase Fund shall be governed by the 2018C Bond Indenture.

Bond Trustee to Notify Parties of Default and Disclosure Information Relating to Default

The Bond Trustee will notify in writing all bondholders of the occurrence of any Event of Default in accordance with the 2018C Bond Indenture and will make available to such bondholder or any inquiring person any and all information reasonably requested of the Bond Trustee concerning the Event of Default, the Series 2018C Bonds and any other information relevant to the Event of Default.

The foregoing paragraph shall be subject to the following: the Bond Trustee shall not be required to take notice or be deemed to have notice of any default under the 2018C Bond Indenture except failure by the Authority to cause to be made any of the payments to the Bond Trustee required to be made by the 2018C Bond Indenture unless the Bond Trustee is specifically notified in writing of such default by the owners of at least 50% in aggregate principal amount of the Series 2018C Bonds then Outstanding, and all notices or other instruments required by the 2018C Bond Indenture to be delivered to the Bond Trustee, must, in order to be effective, be delivered at the Principal Office of the Bond Trustee, and, in the absence of such notice so delivered, the Bond Trustee may conclusively assume that there is no default except as aforesaid.

The Bond Trustee

Before taking any action under the 2018C Bond Indenture with respect to Events of Default under the 2018C Bond Indenture as described under the captions “THE 2018C BOND INDENTURE—Remedies on Events of Default,” “THE 2018C BOND INDENTURE—Majority of Bondholders May Control Proceedings,” and “THE 2018C BOND INDENTURE—Rights and Remedies of Bondholders” (other than accelerating the Bonds as required by the 2018C Bond Indenture provisions described herein under the caption “THE 2018C BOND INDENTURE—Remedies on Events of Default—Acceleration,” taking action to draw on a Liquidity Facility, if any, in its role as Tender Agent pursuant to the 2018C Bond Indenture and paying the principal of, redemption premium (if any) and interest on the Series 2018C Bonds as the same becomes due and payable), the Bond Trustee may require that indemnity satisfactory to it be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability, except liability which may result from its negligence or willful misconduct as finally determined by a court of competent jurisdiction, by reason of any action so taken. In the event that the Master Trustee is entitled to be indemnified as a condition to taking any action under the Master Indenture, the Bond Trustee shall be entitled to request that such indemnity be provided directly to the Master Trustee by the Bondholders, the Authority or the Obligated Group.

The 2018C Bond Indenture establishes procedures for the resignation or removal of the Bond Trustee and for the appointment of successors by the Authority (or the Obligated Group Representative on behalf of the Authority) or the owners of a majority in aggregate principal amount of the Outstanding Series 2018C Bonds. However, no resignation or removal will become effective until a successor has been appointed and has accepted the duties of Bond Trustee.

Supplemental Bond Indentures Not Requiring Consent of Bondholders

The Authority and the Bond Trustee may, without the consent of, or notice to, the Bondholders, but with notice to and the consent of the Liquidity Facility Provider, if any, enter into indentures supplemental to the 2018C Bond Indenture (which supplemental indentures will thereafter form a part of the 2018C Bond Indenture) for any one or more or all of the following purposes:

- (a) to add to the covenants and agreements contained in the 2018C Bond Indenture other covenants and agreements thereafter to be observed for the protection or benefit of the bondholders;
- (b) to cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the 2018C Bond Indenture;
- (c) to subject to the 2018C Bond Indenture additional revenues, properties or collateral;
- (d) to permit the Bond Trustee to enter into agreements with depositories or other institutions in order that such institutions may perform the duties of paying agent and/or transfer agent for the Series 2018C Bonds;
- (e) to modify, amend or supplement the 2018C Bond Indenture or any indenture supplemental thereto in such manner, not adverse, in the opinion of the Bond Trustee, to the interest of the owners of Series 2018C Bonds, as to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state Blue Sky Law;

(f) to grant to or confer upon the Bond Trustee for the benefit of the bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the bondholders or the Bond Trustee;

(g) to evidence the appointment of a separate or Co-Bond Trustee or the succession of a new Bond Trustee under the 2018C Bond Indenture;

(h) to correct any description of, or reflect changes in, any of the properties comprising the Trust Estate;

(i) to make any revisions of the 2018C Bond Indenture that are required by a Rating Agency providing a rating of the Series 2018C Bonds in order to obtain or maintain an investment grade rating on the Series 2018C Bonds;

(j) to make any revisions of the 2018C Bond Indenture that are necessary in connection with the Authority (or the Obligated Group Representative on behalf of the Authority) furnishing a Liquidity Facility or a Self-Liquidity Arrangement, including but not limited to revising the Interest Payment Dates for Liquidity Facility Bonds and revising times required with respect to matters relating to tenders;

(k) to provide for an uncertificated system of registering Series 2018C Bonds or to provide for changes to or from the book-entry system;

(l) to make revisions to the 2018C Bond Indenture that will become effective only upon, and in connection with, the remarketing of all of the Series 2018C Bonds then Outstanding; or

(m) to effect any other change in the 2018C Bond Indenture that will not materially adversely affect the interests of the bondholders.

Supplemental Bond Indentures Requiring Consent of Bondholders

Exclusive of supplemental indentures described under the caption “THE 2018C BOND INDENTURE—Supplemental Bond Indentures Not Requiring Consent of Bondholders,” with notice to and the consent of the Liquidity Facility Provider, if any, the owners of not less than a majority in aggregate principal amount of the Series 2018C Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Authority and the Bond Trustee of such indenture or indentures supplemental to the 2018C Bond Indenture as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 2018C Bond Indenture; provided, however, that without the consent of the owners of all the Series 2018C Bonds at the time Outstanding nothing contained in the 2018C Bond Indenture will permit, or be construed as permitting:

(A) an extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Series 2018C Bond;

(B) the deprivation of the owner of any Series 2018C Bond then Outstanding of the lien created by the 2018C Bond Indenture (other than as permitted by the 2018C Bond Indenture when such Series 2018C Bond was initially issued);

(C) a privilege or priority of any Series 2018C Bond or Bonds over any other Series 2018C Bond or Bonds except as specifically permitted by the 2018C Bond Indenture; or

(D) a reduction in the aggregate principal amount of the Outstanding Series 2018C Bonds required for consent to such supplemental indenture.

If at any time the Authority requests the Bond Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Bond Trustee will, upon being satisfactorily indemnified by the Authority with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be given to the owners by mailing a copy of such notice to their addresses as the same last appear upon the registration books. Such notice will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated office of the Bond Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the Authority following the giving of such notice, the owners of the requisite principal amount of the Series 2018C Bonds outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the 2018C Bond Indenture, no owner of any Series 2018C Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Modification by Unanimous Consent

Notwithstanding anything contained elsewhere in the 2018C Bond Indenture, the rights and obligations of the Authority, the Bond Trustee and the holders of the Series 2018C Bonds, and the terms and provisions of the Series 2018C Bonds and the 2018C Bond Indenture, may be modified or altered in any respect with the consent of the Authority, the Bond Trustee and the holders of all of the Series 2018C Bonds then Outstanding.

Defeasance

The Series 2018C Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Series 2018C Bonds Outstanding (including without limitation, Liquidity Facility Bonds), as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the provisions of the 2018C Bond Indenture) to pay when due or redeem all Series 2018C Bonds then Outstanding (including, without limitation, Liquidity Facility Bonds); or

(c) by delivering to the Bond Trustee, for cancellation by it, all Series 2018C Bonds then Outstanding.

If the Authority pays or causes to be paid all other sums payable under the 2018C Bond Indenture by the Authority, then and in that case at the election of the Authority (evidenced by a Certificate of the Authority filed with the Bond Trustee signifying the intention of the Authority to discharge all such indebtedness and the 2018C Bond Indenture), and notwithstanding that any Series 2018C Bonds have not been surrendered for payment, the 2018C Bond Indenture and the pledge of Revenues and other assets

made under the 2018C Bond Indenture and all covenants, agreements and other obligations of the Authority under the 2018C Bond Indenture (except as otherwise provided in the provisions of the 2018C Bond Indenture described herein under the caption “THE 2018C BOND INDENTURE—Rebate Fund”) will cease, terminate, become void and be completely discharged and satisfied. In such event, upon the written request of the Authority, the Bond Trustee will cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and will execute and deliver to the Authority all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee will pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it pursuant to the 2018C Bond Indenture which are not required for the payment or redemption of Series 2018C Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund will be subject to the provisions of the 2018C Bond Indenture described herein under the caption “THE 2018C BOND INDENTURE—Rebate Fund.”

Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the 2018C Bond Indenture) to pay or redeem any Outstanding Series 2018C Bond (whether upon or prior to its maturity or the redemption date of such Series 2018C Bond), provided that, if such Series 2018C Bond is to be redeemed prior to maturity, notice of such redemption has been given as provided in the 2018C Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice, then all liability of the Authority in respect of such Series 2018C Bond will cease, terminate and be completely discharged, except only that thereafter the Holder thereof will be entitled to payment of the principal of and interest on such Series 2018C Bond by the Authority, and the Authority will remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment.

Whenever in the 2018C Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Series 2018C Bonds, the money or securities to be so deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to the 2018C Bond Indenture (other than the Rebate Fund) and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Series 2018C Bonds and all unpaid interest thereon to maturity (based on an assumed interest rate equal to the Maximum Rate for periods for which the actual interest rate on the Series 2018C Bonds cannot be determined), except that, in the case of Series 2018C Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided in the 2018C Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or Redemption Price of such Series 2018C Bonds and all unpaid interest thereon to the redemption date; or

(b) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity (based on an assumed interest rate equal to the Maximum Interest Rate for periods for which the actual interest rate on the Series 2018C Bonds cannot be determined), or to the redemption date, as the case may be, on the Series 2018C Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Series 2018C Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the 2018C Bond Indenture or provision satisfactory to the Bond Trustee has been made for the giving of such notice;

provided, in each case, that the Bond Trustee has been irrevocably instructed to apply such money to the payment of such principal or Redemption Price and interest with respect to such Series 2018C Bonds, and provided further, that with respect to the deposit of United States Government Obligations pursuant to subsection (b) above, the Bond Trustee has received (i) a verification report from a firm of independent accountants to the effect that the amount deposited is sufficient to make the payments specified therein and (ii) a Favorable Opinion of Bond Counsel with respect to such deposit and investment.

Notwithstanding any other provision of the Bond Indenture to the contrary, if Bonds bearing interest at a Weekly Interest Rate are to be defeased, then such defeasance will be effected only by (i) the deposit of lawful money of the United States of America as provided in (a) above without further investment or reinvestment, (ii) by a redemption of Series 2018C Bonds on a date not later than seven days after the date of defeasance and (iii) when an Outstanding Series 2018C Bond has been deemed to be paid because a deposit of such moneys has been made as described above, (a) if the Holder of such Series 2018C Bond delivers an optional tender notice with respect to such Series 2018C Bond that would result in the purchase of such Series 2018C Bond prior to its maturity or redemption date: (i) the Remarketing Agent shall not remarket such Series 2018C Bond; (ii) the Bond Trustee shall transfer to the Tender Agent, not later than 2:45 p.m., New York City time on the Purchase Date for such Series 2018C Bond moneys from the deposit made as described above sufficient to pay the Purchase Price of such Series 2018C Bond; (iii) the Tender Agent shall purchase such Series 2018C Bond on the Purchase Date applicable to such Series 2018C Bond; and (iv) such Series 2018C Bond shall be delivered to the Bond Trustee for cancellation and shall be cancelled, (b) the Interest Rate Period may not thereafter be converted to another Interest Rate Period by the Obligated Group Representative and (c) the surrender by the Tender Agent of any Liquidity Facility then in effect for cancellation prior to the maturity or redemption date of the Series 2018C Bonds shall not cause the Series 2018C Bonds to be subject to mandatory tender.

Continuing Disclosure

The Authority undertakes in the Bond Indenture all responsibility for compliance and causing the Obligated Group Representative to comply with continuing disclosure requirements with respect to S.E.C. Rule 15c2-12. Notwithstanding any other provision of the Bond Indenture, failure of the Authority, the Obligated Group Representative or the dissemination agent designated in the Continuing Disclosure Agreement to comply with the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Bond Trustee may (and, at the request of any participating underwriter designated in the Continuing Disclosure Agreement or the Holders of at least 25% aggregate principal amount of Outstanding Series 2018C Bonds, shall) or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority and the Obligated Group Representative to comply with their continuing disclosure obligations, if any, with respect to the Series 2018C Bonds or to cause the Bond Trustee to comply with its continuing disclosure obligations.

THE MASTER INDENTURE

Definitions

The following are definitions of certain terms used in the Master Indenture and under this caption "THE MASTER INDENTURE."

"Accelerable Instrument" means any Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by an Obligation, which Obligation or instrument provides that, upon the

occurrence of an event of default under such Obligation or instrument, the holder thereof may request that the Master Trustee declare such Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

“*Act*” means Colorado Revised Statutes, § 23-21-501, et seq., as from time to time amended.

“*Additional Indebtedness*” means Indebtedness incurred by any Member subsequent to the issuance of the Series 1997 Obligations.

“*Additional Obligations*” means any obligation issued after the issuance of the Series 1997 Obligations authorized to be issued by a Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

“*Authority*” means the University of Colorado Hospital Authority, a body corporate and a political subdivision of the State of Colorado, and its successors and assigns and any surviving, resulting or transferee corporation.

“*Balloon Long-Term Indebtedness*” means, at the election of the Obligated Group Agent, Long-Term Indebtedness 25% or more of the principal payments of which are due in any 12-month period, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption or prepayment prior to such date.

“*Board Resolution*” means a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification, and delivered to the Master Trustee.

“*Bondholder*” “*holder*” or “*owner of the Bonds*” means the registered owner of any Related Bond.

“*Capital Lease*” means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee. The principal amount of Indebtedness in the form of Capital Lease will be deemed to be the amount, as of the date of determination, at which the aggregate Net Rentals due and to become due under such Capital Lease would be reflected as a liability on the balance sheet of the lessee determined in accordance with generally accepted accounting principles.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Commitment Indebtedness*” means the obligation of any Member of the Obligated Group or an Obligated Group Affiliate to repay amounts disbursed pursuant to a commitment from a financial institution to refinance when due other Indebtedness (including accrued and unpaid interest thereon) of such Member of the Obligated Group or Obligated Group Affiliate or purchase when tendered for purchase by the holder thereof in accordance with the terms thereof, other Indebtedness (including accrued and unpaid interest thereon) of such Member of the Obligated Group or Obligated Group Affiliate which other Indebtedness was incurred in accordance with the provisions of the Master Indenture, plus any fees payable to such financial institution for such commitment and any other expenses (including collection) and indemnification obligations thereunder, including without limitation amounts disbursed and fees and expenses payable in connection with any credit facility.

“*Completion Indebtedness*” means any Long-Term Indebtedness incurred by any Member of the Obligated Group or Obligated Group Affiliate for the purpose of financing the completion of facilities for

the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same will be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

“*Consultant*” means a professional consulting firm acceptable to the Master Trustee, recognized as having the skill and experience necessary to render the particular report required, which firm has no interest, direct or indirect, in any Member or Obligated Group Affiliate and does not have any partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member or Obligated Group Affiliate.

“*Contribution Agreement*” means a Contribution Agreement in substantially the form provided in the Master Indenture.

“*Controlling Member*” means the Member designated by the Obligated Group Agent to establish and maintain control over an Obligated Group Affiliate pursuant to the Master Indenture.

“*Coverage Test*” means the Historical Debt Service Coverage Ratio for the Obligated Group and the Obligated Group Affiliates for the period in question is greater than or equal to 1.1:1.

“*Cross-over Date*” means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

“*Cross-over Refunded Indebtedness*” means Indebtedness refunded by Cross-over Refunding Indebtedness.

“*Cross-over Refunding Indebtedness*” means Indebtedness of any Member of the Obligated Group or Obligated Group Affiliate issued for the purpose of refunding other Indebtedness if the proceeds of such refunding Indebtedness are irrevocably deposited in escrow and either held as cash or invested in noncallable Escrow Obligations to secure the payment on the applicable redemption date or dates or maturity date of the refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such refunding Indebtedness or refunded Indebtedness until the Cross-over Date.

“*Days Cash on Hand*” means the ratio of (a) Unrestricted Cash and Investments minus (i) all borrowed moneys payable on their original terms in one year or less, and (ii) borrowed funds entrusted with a lender; to (b) the quotient of total operating expenses (excluding depreciation and amortization but including bad debt expenses) divided by 365 days. Testing at the six month interval will be based on six month interim operating expenses (excluding depreciation and amortization) divided by 182 days.

“*Debt Service Requirements*” means, with respect to the period of time for which calculated, the aggregate of (a) the payments required to be made in respect of principal (whether at maturity, or as a result of mandatory prepayment or otherwise) and interest on all outstanding Indebtedness of the Person or group of Persons involved, (b) mandatory deposits to an irrevocable escrow or sinking fund (such amount not to include deposits made to refunding escrows from bond proceeds or otherwise at the time the escrow is established) and (c) the amount of the Obligation Payments.

“*Escrow Obligations*” means (a) with respect to any Obligations which secure a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Indenture, (b) with respect to any Obligations for which there are no Related Bonds, the obligations, if any, permitted to be used to defease such Obligations by the Supplemental Master Indenture under which such Obligations were issued, and (c) with respect to any other Obligations:

(i) United States Government Obligations; and

(ii) evidences of direct ownership of a proportionate or individual interest in future principal or interest payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian pursuant to the terms of a custody agreement in form and substance satisfactory to the Master Trustee in which obligations are not available to satisfy creditors of the custodian.

“*Escrowed Interest*” means (a) amounts (but not including any interest earnings thereon except as otherwise provided in the Master Indenture) deposited in escrow in connection with the issuance of Long-Term Indebtedness or Related Bonds and either held as cash or invested in noncallable Escrow Obligations to pay interest on such Long-Term Indebtedness or Related Bonds and (b) amounts irrevocably deposited in escrow and either held as cash or invested in noncallable Escrow Obligations in connection with the issuance of Cross-over Refunding Indebtedness or Related Bonds secured by such Cross-over Refunding Indebtedness or Related Bonds or earnings on such amounts which are required to be applied to pay interest on such Cross-over Refunded Indebtedness or Related Bonds secured by either thereof.

“*Financial Products Agreement*” means an interest rate swap, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, however denominated, identified to the Master Trustee in an Officer’s Certificate as having been entered into by a Member of the Obligated Group or an Obligated Group Affiliate with a Qualified Provider for any purpose authorized as described herein under “THE MASTER INDENTURE—Financial Products Agreements.”

“*Financial Products Payments*” means payments periodically required to be paid to a counterparty by a Member of the Obligated Group or an Obligated Group Affiliate pursuant to a Financial Products Agreement.

“*Financial Products Receipts*” means amounts periodically required to be paid to a Member of the Obligated Group or an Obligated Group Affiliate by a counterparty pursuant to a Financial Products Agreement.

“*Financial Statements*” means the audited consolidated financial statements of the Obligated Group and the Obligated Group Affiliates, or consolidated financial statements (which are not required to be audited) of the Obligated Group and the Obligated Group Affiliates included, in an additional information section, in the audited financial statements of University of Colorado Health or any other Member of the Obligated Group and covering the same 12-month period as the audited financial statements, in either case (a) from which the accounts of any affiliate which is not a Member of the Obligated Group or an Obligated Group Affiliate have been eliminated as if such affiliate were an unrelated party; (b) to which the accounts of any Member of the Obligated Group and Obligated Group Affiliate which is not already included have been added; and (c) from which grants and charitable contributions not available to pay debt service on Obligations and associated expenses, if any, have been eliminated; provided, however, that for purposes of adding the accounts of a Member of the Obligated

Group and an Obligated Group Affiliate which is not an affiliate as provided in (b) above, the balances of such accounts (but not of any of its affiliates) shall be derived from the audited financial statements of such Member of the Obligated Group or Obligated Group Affiliate which is not included in the audited financial statements of UCHealth.

“*Fiscal Year*” means any 12-month period beginning on July 1 of any calendar year and ending on June 30 of such calendar year or such other consecutive 12-month periods selected by the Obligated Group Agent as the fiscal year for the Members and the Obligated Group Affiliates.

“*Fitzsimons Ground Lease*” means the Amended and Restated Fitzsimons Ground Lease entered into and effective as of July 1, 2004, between the Regents of the University of Colorado (the “Regents”), as lessor, and the Authority, as lessee, as amended from time to time.

“*Fourth Supplemental Master Indenture*” means Supplemental Master Indenture No. 4 dated as of November 1, 2001, between the Authority and the Master Trustee.

“*Governing Body*” means the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of that board to which the relevant powers of that board have been lawfully delegated.

“*Gross Revenues*” or “*Gross Revenues of the Obligated Group*” means all revenues, income, receipts and money received by or on behalf of the Obligated Group from all sources, including: (a) gross revenues derived from the operation and possession of the health care facilities now known as University Hospital as they currently exist or any addition or substitution thereto, including, but not limited to, the Property, Plant and Equipment, but excluding any payments received on behalf of or for the benefit of, another entity, (b) gifts, grants, bequests, donations and contributions, exclusive of any gifts, grants, bequests, donations and contributions to the extent not specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of required payments, (c) proceeds derived from (i) condemnation proceeds, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, including proceeds of sale of option rights, (v) medical reimbursement programs and agreements, (vi) insurance proceeds, and (vii) contract rights and other rights and assets now or hereafter owned by each Member, and (d) rentals received from the lease of office space.

“*Guaranty*” means any obligation of any Member of the Obligated Group or any Obligated Group Affiliate guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group or an Obligated Group Affiliate (a “beneficiary”) which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group or an Obligated Group Affiliate, constitute Indebtedness under the Master Indenture. For the purposes of the Master Indenture, so long as no payments are required to be made under such Guaranty and so long as such Guaranty constitutes a contingent liability under generally accepted accounting principles, the aggregate principal amount of any such Guaranty which will be included in the calculation of Indebtedness of such Member of the Obligated Group or Obligated Group Affiliate will be deemed to be equal to 20% if the beneficiary’s Long-Term Debt Service Coverage Ratio is greater than 2.0:1.0, 50% if the beneficiary’s Long-Term Debt Service Coverage Ratio is greater than 1.50:1.00 but less than or equal to 2.0:1.0, 75% if the beneficiary’s Long-Term Debt Service Coverage Ratio is greater than 1.10:1.00 but less than or equal to 1.50:1.00, and 100% if the beneficiary’s Long-Term Debt Service Coverage Ratio is equal to or less than 1.10:1.00.

“Income Available for Debt Service” means the excess of revenues over expenses determined in accordance with generally accepted accounting principles, to which shall be added depreciation, amortization and interest expense; provided, however, that no determination thereof shall take into account any extraordinary gains or losses, unrealized gains or losses resulting from the periodic valuation of investments, interest rate swap agreements, or similar agreements provided that, for such purposes, in determining gain or loss from the sale of or disposition of any asset for which an “other-than-temporary” impairment loss has theretofore been recognized in accordance with FAS 115, any such gain shall be reduced (and any such loss shall be increased) by the amount of such loss previously recognized.

“Historical Debt Service Coverage Ratio” means, with respect to the period of time for which calculated, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, the following will be excluded (a) principal or interest on Indebtedness paid from amounts on deposit in an irrevocable escrow or Board designated reserves established to pay such principal or interest, (b) principal or interest on Short Term Indebtedness, (c) principal or interest on Indebtedness of a Member or Obligated Group Affiliate to any other Member or Obligated Group Affiliate, any guarantee by any Member or Obligated Group Affiliate of Indebtedness of any other Member or Obligated Group Affiliate, or the joint or several liability of any Member on Indebtedness issued by any other Member, (d) the principal amount of any Interim Indebtedness paid during such period to the extent such principal amount is paid from a source other than revenues.

“Income Available for Debt Service” means, with respect to the period of time for which calculated, the amount, if any, by which total revenue exceeds total expenses (other than depreciation, amortization and interest together with Obligation Payments to the extent that such Obligation Payments are treated as an expense during such period of time), of the Person or group of Persons involved determined in accordance with generally accepted accounting principles; provided, however, that no determination thereof will take into account (a) any gain or loss resulting from the extinguishment of Indebtedness; (b) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business; (c) any gain or loss resulting from any discontinued operations; (d) any gain or loss resulting from pension terminations, settlements or curtailments; (e) any unusual charges for employee severance; (f) adjustments to the value of assets or liabilities resulting from changes in generally accepted accounting principles; (g) unrealized gains or losses on investments; (h) unrealized mark to market gains or losses on Financial Products Agreements; (i) contributions restricted for capital; and (j) “impairment charges” pursuant to GASB 42 relating to the Denver Campus of the Authority as a result of the relocation of its facilities to the Fitzsimons Campus.

“Indebtedness” means, on a consolidated basis for the Obligated Group, without duplication, (a) all obligations of the Obligated Group for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of the Obligated Group evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of the Obligated Group upon which interest charges are customarily paid, (d) all obligations of the Obligated Group under conditional sale or other title retention agreements relating to property acquired by the Obligated Group, (e) all obligations of the Obligated Group in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by the Obligated Group, whether or not the Indebtedness secured thereby has been assumed, (g) any Guaranty by the Obligated Group of Indebtedness of others, excluding operating lease payment guarantees, (h) all capital lease obligations of the Obligated Group, (i) all obligations, contingent or otherwise, of the Obligated Group as an account party in respect to letters of credit and letters of guaranty; (j) all obligations, contingent or otherwise, of the Obligated Group in respect of bankers’

acceptances, (k) the short-term portion of long term debt, (l) Synthetic Debt, and (m) all short-term debt (including commercial paper, lines of credit, etc.). The Indebtedness of the Obligated Group shall include the Indebtedness of any other entity (including any partnership in which the Obligated Group is a general partner) to the extent the Obligated Group is liable therefor as a result of the Obligated Group's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that the Obligated Group is not liable therefor. Indebtedness shall not include obligations of any Member of the Obligated Group or Obligated Group Affiliate to any other Member of the Obligated Group or Obligated Group Affiliate.

"Indebtedness Ratio" means the ratio of (i) the sum of Short-Term Indebtedness plus Long-Term Indebtedness (including the current portion of Long-Term Indebtedness) to (ii) the sum of (a) Short-Term Indebtedness, (b) Long-Term Indebtedness, and (c) unrestricted net assets; provided, however, that for purposes of the calculations contained in the last paragraph of Section 6.05, the principal amount of the Indebtedness represented by a Guaranty shall be included in an amount equal to 100% of such principal amount if any Member of the Obligated Group or Obligated Group Affiliate has made a payment pursuant to such Guaranty within the preceding three Fiscal Years, or otherwise in accordance with the definition of Guaranty contained herein.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for the Authority, any other Member or the Master Trustee.

"Interim Indebtedness" means Indebtedness with respect to which the Obligated Group Agent certifies, at the time of the incurrence thereof, that the Obligated Group Agent expects to pay the principal amount of such Indebtedness from a source other than the revenues of the Obligated Group, including but not limited to the proceeds of other Indebtedness.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member or any Obligated Group Affiliate and any Capital Lease under which any Member or Obligated Group Affiliate is lessee and the lessor is not a Member or an Obligated Group Affiliate.

"Liquidity Facility" means (a) with respect to the Series 2018B Bonds, "Liquidity Facility" as defined in the Series 2018B Bond Indenture, and (b) with respect to the Series 2018C Bonds, "Liquidity Facility" as defined in the Series 2018C Bond Indenture.

"Liquidity Facility Provider" means (a) with respect to the Series 2018B Bonds, "Liquidity Facility Provider" as defined in the Series 2018B Bond Indenture, and (b) with respect to the Series 2018C Bonds, "Liquidity Facility Provider" as defined in the Series 2018C Bond Indenture.

"Long-Term Debt Service Coverage Ratio" means for any twelve month period of time, the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Obligated Group and Obligated Group Affiliates during such period, also taking into account:

- (a) with respect to Balloon Long-Term Indebtedness (i) the amount of principal which would be payable in such period if such principal were amortized from the date of

incurrence thereof over a period of 20 years on a level debt service basis at an interest rate equal to the interest rate last published in *The Bond Buyer* as the "Revenue Bond Index," except that if the date of calculation is within 12 months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation; (ii) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank or other financial institution rated at least "P1" by Moody's or "A1" by Standard & Poor's nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Obligated Group Agent, be treated as if such principal payments or deposits were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions; or (iii) if such Indebtedness is subject to prior amortization payments and the verification of timely installment payments is contained in the last Financial Statements, then such amortization payments may be used;

(b) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), except that with respect to the incurrence of new Variable Rate Indebtedness, the interest rate for such new Variable Rate Indebtedness as of any date of required calculation shall be deemed to be a fixed rate equal to the Thirty-Year Revenue Bond Index as last published in *The Bond Buyer*; and

(c) with respect to any Commitment Indebtedness providing for payment of other Long-Term Indebtedness, to the extent that amounts are not then due and owing for advances made by the creditor with respect thereto, the principal and interest relating to such Commitment Indebtedness shall not be included in any computations with respect to Income Available for Debt Service or the Long-Term Debt Service Requirement;

provided, however, that (i) interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent that Escrowed Interest is available to pay such interest (but the amount excluded shall not take into account interest earnings on such Escrowed Interest unless there shall have been delivered to the Master Trustee a report of an independent firm of nationally recognized certified public accountants verifying that such amount of interest can be timely paid from such escrow) and (ii) principal on Cross-over Refunded Indebtedness shall be excluded from the determination of Long-Term Debt Service Requirement to the extent that proceeds of Cross-over Refunding Indebtedness or Related Bonds secured thereby are on deposit in an irrevocable escrow and such proceeds or the earnings thereon are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; provided, however, that if such amounts include interest earnings on Escrow Obligations, then the amount of Cross-over Refunded Indebtedness or Related Bonds secured thereby to be excluded shall only be excluded to the extent that there shall have been delivered to the Master Trustee a report of an independent firm of nationally recognized certified public accountants verifying that such amount of principal can be timely paid from such escrow.

In the case of any Financial Products Agreements entered into by any Member of the Obligated Group or any Obligated Group Affiliate for a term exceeding one year pursuant to which any Member of the Obligated Group or any Obligated Group Affiliate is obligated to make Financial Products Payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments

constituting Financial Products Receipts to or on behalf of any Member of the Obligated Group or any Obligated Group Affiliate (based on a different rate of or formula for interest), with neither party obligated to repay any principal, the net amount to be paid by such Member of the Obligated Group or Obligated Group Affiliate (computed in accordance with this sentence) shall be taken into account in calculating Long-Term Debt Service Requirement; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Long-Term Debt Service Requirement so long as the provider of any Financial Products Agreement (or any guarantor thereof) is rated at least investment grade by any Rating Agency.

“Long-Term Indebtedness” means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Obligated Group or any Obligated Group Affiliate, including:

- (a) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;
- (b) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;
- (c) installment sale or conditional sale contracts having an original term in excess of one year;
- (d) Short Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and
- (e) the current portion of Long-Term Indebtedness.

“Master Indenture” means the Master Trust Indenture, dated as of November 1, 1997, between the Authority and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof, including as supplemented by the Supplemental Master Indenture No. 39B-1 and Supplemental Master Indenture No. 39C-1.

“Master Trustee” means Wells Fargo Bank, National Association (as successor to Norwest Bank Colorado, National Association), or any successor trustee under the Master Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement for any current or succeeding Fiscal Year.

“MCR” means Medical Center of the Rockies, a Colorado nonprofit corporation.

“Member” or *“Member of the Obligated Group”* means the Authority, Poudre Valley, MCR, University of Colorado Health, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center, Poudre Valley Medical Group, LLC and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status as described herein under “THE MASTER INDENTURE—Cessation of Status as a Member of the Obligated Group.”

“Net Rentals” means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property

excluding any amounts required to be paid by the lessees (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called “percentage lease” will be computed on the basis of the amount reasonably estimated by the Obligated Group Agent to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

“*Non-Recourse Indebtedness*” means any Indebtedness incurred to finance the purchase of Property secured by a Lien on such Property, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group or any Obligated Group Affiliate.

“*Obligated Group*” means University of Colorado Health, the Authority, PVH, MCR, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center, Poudre Valley Medical Group, LLC and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status as described herein under “THE MASTER INDENTURE—Cessation of Status as a Member of the Obligated Group.”

“*Obligated Group Affiliate*” means any Person which has been designated as such pursuant to the terms of the Master Indenture and which has executed a Contribution Agreement, so long as such Person has not been further designated as no longer being an Obligated Group Affiliate as provided in the Master Indenture.

“*Obligated Group Agent*” means University of Colorado Health or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee and each Related Issuer executed by the Chairman, the Vice-Chairman or the President and Executive Director of the Governing Body of the Authority or, if the Authority is no longer a Member of the Obligated Group, of each Member of the Obligated Group.

“*Obligation*” means any obligation of the Obligated Group issued under the Master Indenture, as a joint and several obligation of each Member, which may be in any form set forth in a Supplemental Master Indenture, including, but not limited to bonds, notes, obligations, debentures, reimbursement agreements, loan agreements or leases. Reference to a series of Obligations or to Obligations of a series will mean Obligations or series of Obligations issued pursuant to a single Supplemental Master Indenture.

“*Obligation No. 39B-1*” means the Master Note Obligation, Series 2018-39B-1, issued pursuant to the Master Indenture and Supplemental Master Indenture No. 39B-1 and delivered to the Related Bond Trustee pursuant to the 2018B Bond Indenture.

“*Obligation No. 39C-1*” means the Master Note Obligation, Series 2018-39C-1, issued pursuant to the Master Indenture and Supplemental Master Indenture No. 39C-1 and delivered to the Related Bond Trustee pursuant to the 2018C Bond Indenture.

“*Obligation Payments*” means payments (however designated) required under any Obligation then Outstanding which does not constitute Indebtedness.

“*Obligation holder*,” “*holder*” or “*owner of the Obligation*” means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master

Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation, in which case such alternative provision will control.

“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered by a corporation, by the Chairman, the Vice-Chairman, the President, any Vice President or any other officer authorized to sign by resolution of the Governing Body of such corporation, or in the case of a certificate delivered by any other Person, the chief executive or financial officer of such other Person, in either case whose authority to execute such certificate will be evidenced to the satisfaction of the Master Trustee.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or any Obligated Group Affiliate or other counsel acceptable to the Master Trustee.

“Outstanding” means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof cancelled after purchase on the open market or surrendered for cancellation or because of payment at or redemption prior to maturity, and such Indebtedness in lieu of which other Indebtedness has been duly issued and any such Indebtedness which is no longer deemed outstanding under its terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

“Outstanding Obligations” or *“Obligations Outstanding”* means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations cancelled after purchase in the open market or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Obligations for the payment or redemption of which cash or Escrow Obligations have been theretofore deposited with the Master Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption has been given or irrevocable arrangements satisfactory to the Master Trustee have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee has been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Related Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given or arrangements satisfactory to the Related Bond Trustee have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee has been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) For the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Master Indenture, Obligations held or owned by a Member of the Obligated Group or Obligated Group Affiliate.

Notwithstanding the foregoing, any Obligation securing Related Bonds will be deemed outstanding if such Related Bonds are Outstanding.

“Outstanding Related Bonds” or *“Related Bonds Outstanding”* means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

(a) Related Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in the definition thereof have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given or arrangements satisfactory to the Related Bond Trustee have been made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee has been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member or Obligated Group Affiliate.

“Paying Agent” means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of and interest on any Related Bonds or designated pursuant to the Master Indenture to receive and disburse the principal of and interest on any Obligations.

“Permitted Encumbrances” means the Master Indenture, any Related Loan Document, any Related Bond Indenture and, as of any particular time and so long as the Bonds are Outstanding:

(a) Liens arising by reason of good faith deposits with a Member or Obligated Group Affiliate in connection with tenders, leases of real estate, bids or contract (other than contracts for the payment of money), deposits by any Member or Obligated Group Affiliate to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member or Obligated Group Affiliate to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers’ compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on any Property acquired by a Member or Obligated Group Affiliate, which Lien (i) secures Indebtedness issued, incurred or assumed by any Member or Obligated Group Affiliate in connection with and to effect such acquisition; or (ii) existing Indebtedness which will remain outstanding after such acquisition but will not be assumed by a Member or Obligated Group Affiliate, if in each such case the aggregate principal amount of such

Indebtedness does not exceed the fair market value of the Property subject to such Lien as determined in good faith by the Governing Body of the Member or Obligated Group Affiliate;

(c) any Lien on any Property of any Member or Obligated Group Affiliate granted in favor of or securing Indebtedness to any other Member or Obligated Group Affiliate;

(d) any Lien on Property if such Lien equally or ratably secures all of the Obligations and, if the Obligated Group Agent will so determine, any other Indebtedness of a Member or any Obligated Group Affiliate;

(e) leases which relate to Property of a Member or an Obligated Group Affiliate which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments; leases, licenses or similar rights to use Property to which the Authority or an Obligated Group Affiliate (or any predecessor in interest of such parties) is a party existing as of December 2, 1997 and any renewals and extensions thereof; and any leases, licenses or similar rights to use Property whereunder a Member or an Obligated Group Affiliate is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(f) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested as described under "THE MASTER INDENTURE—Right to Contest;"

(g) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(h) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or if such Lien is being contested as described under "THE MASTER INDENTURE—Right to Contest;"

(i) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(j) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(k) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property is involved is located;

(l) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(m) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member or Obligated Group Affiliate and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(n) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which will not have expired, or in respect of which any Member or Obligated Group Affiliate will at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review is in existence;

(o) Liens on moneys deposited by patients or others with a Member or Obligated Group Affiliate as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(p) Liens on Property due to rights of third-party payors for recoupment of excess reimbursement paid;

(q) any Lien in the rebate fund, any depreciation reserve, debt service or interest reserve, debt service fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the creditor of the Indebtedness issued or secured pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document;

(r) any Lien on any Related Bond or any evidence of Indebtedness of any Member or Obligated Group Affiliate acquired by or on behalf of any Member or Obligated Group Affiliate in favor of the provider of liquidity or credit support for such Related Bond or Indebtedness;

(s) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, and which (i) in the case of Property of the Authority or any Obligated Group Affiliate on December 2, 1997, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;

(t) Liens on any Property of a Member or of an Obligated Group Affiliate at December 2, 1997 or existing at the time any Person becomes a Member or an Obligated Group Affiliate; provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of the Member or any Obligated Group Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(u) Liens on Property of a Person existing at the time such Person is merged into or consolidated with a Member or an Obligated Group Affiliate, or at the time of a sale, lease or other disposition of the Properties of a Person as an entirety or substantially as an entirety to a Member or an Obligated Group Affiliate which becomes part of a Property that secured Indebtedness that is assumed by a Member or an Obligated Group Affiliate as a result of any such merger, consolidation or acquisition; provided, that no such Lien may be increased, extended, renewed, or modified after such date to apply to any Property of a Member or an Obligated Group Affiliate not subject to such Lien on such date unless such Lien as so increased, extended, renewed or modified is otherwise permitted under the Master Indenture;

(v) notwithstanding any other clause of this definition of “Permitted Encumbrances,” Liens on any Property of a Member or an Obligated Group Affiliate securing any Indebtedness or Financial Products Agreement if at the time of incurrence of such Indebtedness or at the time Property is required to be posted pursuant to any pledge to the provider of a Financial Products Agreement and after giving effect to all Liens permitted under this clause and clauses (r), (s), (t), (u), (w), (x) and (y) of this definition of “Permitted Encumbrances,” the aggregate value of Property subject to such Liens pursuant to this clause and clauses (r), (s), (t), (u), (w), (x) and (y) does not exceed 10% (5% if the ratings on the Related Bonds have fallen to or below “BBB” by S&P or Fitch or “Baa2” by Moody’s) of net Property, Plant and Equipment, as shown on the most recent financial reports required to be delivered as described under “THE MASTER INDENTURE—Financial Statements” and the other tests described under the caption “—Liens on Property” below are satisfied;

(w) Liens on any Property of a Member or an Obligated Group Affiliate to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the Property subject to such Lien; provided, that such Lien shall not apply to any Property theretofore owned by a Member or an Obligated Group Affiliate, other than any theretofore unimproved real property on which the Property so constructed or improved is located;

(x) Liens in favor of the providers of lines of credit (which lines of credit may aggregate \$15,000,000);

(y) the terms, conditions and restrictions of (i) the Amended and Restated Fitzsimons Ground Lease entered into and effective as of July 1, 2004, between the Regents of The University of Colorado (the “Regents”), as lessor, and the Authority, as lessee, as it may be amended from time to time; and (ii) the Quitclaim Deed dated May 12, 1998 between the United States of America, acting through the Secretary of Education, and the Regents; and

(z) any Lien on accounts receivable specifically related to financing programs for patient responsible portions of balances due.

“*Person*” means any natural person, firm, joint venture, limited liability company, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“*Poudre Valley*” means Poudre Valley Health Care, Inc., a Colorado nonprofit corporation.

“*Primary Obligor*” means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired.

“Property, Plant and Equipment” means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

“Qualified Provider” means any financial institution or insurance company which is a party to a Financial Products Agreement if the unsecured long-term debt obligations of such financial institution or insurance company (or of the parent or a subsidiary of such financial institution or insurance company if such parent or subsidiary guarantees the performance of such financial institution or insurance company under such Financial Products Agreement), or obligations secured or supported by a letter of credit, contract, guarantee, agreement, insurance policy or surety bond issued by such financial institution or insurance company (or such guarantor parent or subsidiary), are rated at least “A” by S&P Global Ratings or “A2” by Moody’s at the time of the execution and delivery of the Financial Products Agreement.

“Rating Agency” means Moody’s, S&P Global Ratings or Fitch and their respective successors and assigns.

“Related Bonds” means any revenue bonds or similar obligations issued by any state, commonwealth or territory of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, the proceeds of which are loaned or otherwise made available to any Member or Obligated Group Affiliate in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations to such governmental issuer.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, the Related Issuer.

“Related Issuer” means the Authority or any other issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member or Obligated Group Affiliate (or any Property financed or refinanced with such proceeds is leased, sublet or sold to a Member or Obligated Group Affiliate).

“Series 2018B Bond Indenture” means the Bond Indenture of Trust, dated as of July 1, 2018, by and between the Authority and Wells Fargo Bank, National Association, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture in accordance with the terms of the Series 2018B Bond Indenture.

“Series 2018B Bonds” means the University of Colorado Hospital Authority Refunding Revenue Bonds, Series 2018B, as authorized by, and at any time Outstanding pursuant to the Series 2018B Bond Indenture.

“Series 2018C Bond Indenture” means the Bond Indenture of Trust, dated as of July 1, 2018, by and between the Authority and Wells Fargo Bank, National Association, as originally executed or as it

may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture in accordance with the terms of the Series 2018C Bond Indenture.

“Series 2018C Bonds” means the University of Colorado Hospital Authority Refunding Revenue Bonds, Series 2018C, as authorized by, and at any time Outstanding pursuant to the Series 2018C Bond Indenture.

“Seventh Supplemental Master Indenture” means Supplemental Master Indenture No. 7 dated as of October 1, 2004, between the Authority and the Master Trustee.

“Short Term Indebtedness” means Indebtedness having an original maturity less than one year and not renewable at the option of the debtor for a period greater than one year from the date of original issuance thereof.

“Subordinated Debt” means any Indebtedness other than Obligations the payment of which is specifically subordinated to the payment of principal and interest on Obligations and evidenced by a writing which contains provisions substantially in the form set forth in Supplemental Master Indenture No. 39B-1 and Supplemental Master Indenture No. 39C-1, and for which the Obligated Group Agent has received an Opinion of Counsel to the effect that such Indebtedness constitutes Subordinated Debt.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into as described under “THE MASTER INDENTURE—Supplemental Master Indentures Not Requiring Consent of Obligation Holders” and “—Supplemental Master Indentures Requiring Consent of Obligation Holders” after the date hereof and includes Supplemental Master Indenture No. 39B-1 and Supplemental Master Indenture No. 39C-1.

“Supplemental Master Indenture No. 3” means the Supplemental Master Indenture No. 3, dated as of April 1, 1999, between the Authority and the Master Trustee.

“Supplemental Master Indenture No. 39B-1” means Supplemental Master Indenture No. 39B-1, dated as of July 1, 2018, between the Obligated Group Representative, on behalf of the Members of the Obligated Group, and the Master Trustee, which is a supplement to the Master Indenture.

“Supplemental Master Indenture No. 39C-1” means Supplemental Master Indenture No. 39C-1, dated as of July 1, 2018, between the Obligated Group Representative, on behalf of the Members of the Obligated Group, and the Master Trustee, which is a supplement to the Master Indenture.

“Synthetic Debt” means the monetary obligation of a person under (a) a so-called synthetic or off-balance sheet or tax retention lease of real property or (b) an agreement for the use or possession of real property creating obligations that do not appear on the balance sheet of such Person, which (i) contains a residual guarantee by such Person, within the meaning of FAS No. 13 – Accounting for Leases, and (ii) upon the insolvency or bankruptcy of such Person, would be characterized as indebtedness of such Person (without regard to accounting treatment). The amount of synthetic lease obligations of any Person under any such lease or agreement shall be the amount that would be shown as a liability on a balance sheet of such Person prepared in accordance with generally accepted accounting principles if such lease or agreement were accounted for as a capitalized lease. Synthetic lease obligations shall be included in all financial ratios and the maximum annual synthetic lease payment shall be included in the calculation of debt service.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is (a) a governmental entity or political subdivision of a state or (b) an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation under Section 501(a) of the Code, and which is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Termination Payments” means all amounts due in connection with an Early Termination Date, including, without limitation, any Settlement Amounts, collection costs, attorneys’ fees or interest owing from the Obligated Group to the Qualified Provider in connection therewith (as such capitalized terms shall be defined in the Financial Products Agreement), but excluding any accrued regularly scheduled net swap payments payable up to the Early Termination Date which shall be Senior Obligations.

“Total Operating Revenues” means, with respect to the Obligated Group and Obligated Group Affiliates, as to any period of time, net patient revenues (less allowances for bad debts) plus other operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

“United States Government Obligations” means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

“Unrestricted Cash and Investments” means the sum of the following unrestricted and unencumbered items: cash, cash equivalents and long-term marketable and liquid investments less the aggregate face amount of any short-term indebtedness; provided that unrestricted and unencumbered cash, cash equivalents, long term marketable securities and liquid investments will exclude the following: trustee-held funds, debt service funds, construction funds, debt service reserve funds, malpractice funds, litigation reserves, self-insurance and captive insurer funds, pension and retirement funds and the set aside or reserve for any liability other than operating expenses, and any collateral posted pursuant to the terms of a Financial Products Agreement.

“Unrestricted Fund Balance” means the unrestricted fund balance, capital and surplus, or other equivalent accounting classification representing the net worth of a Person.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

“Written Request” means a request in writing signed by the officers authorized or designated by the Member or Obligated Group Affiliate, as the case may be.

General

Each Obligation issued under the Master Indenture must be authorized by the Obligated Group Agent and the Member issuing such Obligation by the adoption of the respective Governing Body of a Board Resolution. No further authorization or approval by any other Member or any Obligated Group Affiliate is required for the issuance of such Obligation. The total principal amount of Obligations, the number of Obligations and the series of Obligations that may be created under the Master Indenture is not limited except as set forth with respect to any other series of Obligations in the Supplemental Master Indenture providing for the issuance thereof. Each series of Obligations will be issued pursuant to a

Supplemental Master Indenture. Each series of Obligations will be designated so as to differentiate the Obligations of such series from the Obligations of any other series.

Security for Obligations

All Obligations issued and Outstanding under the Master Indenture are equally and ratably secured by the Master Indenture except to the extent specifically provided otherwise as permitted thereby. Any one or more series of Obligations issued thereunder may, so long as any Liens created in connection therewith constitute Permitted Encumbrances, be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property of the Obligated Group or Obligated Group Affiliates, or security interests in a depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto.

Substitution of Obligations

All Obligations issued pursuant to the Master Indenture will, upon the request of the Obligated Group Agent, be substituted with an original replacement obligation issued by or on behalf of any Member (the “Substitute Obligations”) under and pursuant to and secured by a master trust indenture (the “Replacement Master Indenture”) executed by all current Members of the Obligated Group and any other entities which are parties to and obligated with respect to indebtedness issued under such Replacement Master Indenture (collectively, the “New Group”) and an independent corporate trustee (the “New Trustee”) meeting the eligibility requirements of the Master Trustee as set forth in the Master Indenture, which Substitute Obligations have been duly authenticated by the New Trustee, upon receipt by the Master Trustee of the following:

- (a) an opinion of nationally recognized municipal bond counsel (which counsel and opinion are acceptable to the Master Trustee) that the surrender of the Obligations and the acceptance by the Master Trustee of the Substitute Obligations will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on any Obligations or any Related Bonds would otherwise be entitled;
- (b) an executed counterpart of the Replacement Master Indenture;
- (c) an opinion of Independent Counsel to the Obligated Group addressed to the Master Trustee to the effect that:
 - (i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, each Substitute Obligation has been duly authorized, executed and delivered by or on behalf of a Member and each of the Replacement Master Indenture and each Substitute Obligation is a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors’ rights and application of general principles of equity;
 - (ii) all requirements and conditions to the issuance of the Substitute Obligations set forth in the Replacement Master Indenture have been complied with and satisfied; and

(iii) registration of the Substitute Obligations under the Securities Act of 1933, as amended, is not required or, if such registration is required, the New Group has complied with all applicable provisions of said Act;

(d) a certificate of the Obligated Group Agent stating that the New Group, considered as a pro forma consolidated or combined group for purposes of the Master Indenture, with the elimination of material intercompany balances and transactions, would, after giving effect to such Substitute Obligations and assuming that the New Group constituted the Obligated Group under the Master Indenture and that the Substitute Obligations were issued under the Master Indenture, would meet the Coverage Test;

(e) the Replacement Master Indenture containing (i) the agreement of each member of the New Group (A) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each obligation (including the Substitute Obligations) issued under the Replacement Master Indenture at the times and in the amounts provided in each such obligation; and (ii) representations and warranties of the members of the New Group no less restrictive than those set forth in the Master Indenture (but with such deviations as are acceptable to the Master Trustee); and

(f) both:

(i) the consent of the Liquidity Facility Provider if such entity is then providing a Liquidity Facility with respect to any of the bonds secured by the Master Indenture; and

(ii) written confirmation from each Rating Agency then rating any Outstanding Related Bonds that, upon consummation of the proposed transactions, the ratings on such Related Bonds (without regard to any credit enhancement of the Related Bonds) will not be lower nor carry with them a negative outlook as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Obligations; provided, however, that if, prior to the consummation of the proposed transactions, any such Outstanding Related Bonds are not then rated by any Rating Agency, such a rating will be obtained, which rating, as evidenced by the written confirmation of such Rating Agency, will not be lower nor carry with it a negative outlook as a result of the entry into the Replacement Master Indenture and the issuance of the Substitute Obligations; and

(g) such other opinions and certificates as the Master Trustee may reasonably require, together with such reasonable indemnities as the Master Trustee may request.

Pledge of Gross Revenues

There is created in favor of the Master Trustee, subject to Permitted Encumbrances, an irrevocable and first Lien upon the Gross Revenues of the Obligated Group to secure all Obligations on a parity basis, except as otherwise provided in a Supplemental Master Indenture and authorized pursuant to any Supplemental Master Indenture. Such pledge was valid and binding as of the date of the Supplemental Master Indenture No. 3 (April 1, 1999) and with respect to any additional Obligations, will be valid and binding from and after the date of the first delivery of any Obligations issued on a parity basis with the Obligations Outstanding as of the date of the Supplemental Master Indenture No. 3, and the

Gross Revenues, as received by the Obligated Group and other moneys thereby pledged will immediately be subject to the Lien of such pledge without any physical delivery thereof or further act, and the Lien of such pledge and the obligation to perform the contractual provisions thereby made will have priority over any or all other obligations and liabilities of the Obligated Group, and the Lien of such pledge will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Obligated Group, irrespective of whether such parties have notice thereof.

Payment of Amounts Due Under Any Obligation

Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the Master Indenture), has jointly and severally covenanted that it will promptly pay the principal of and premium, if any, interest and any other amount payable on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group as described under the caption “THE MASTER INDENTURE—Cessation of Status as a Member of the Obligated Group”), jointly and severally agrees in the Master Indenture to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premiums, if any) equal to the amounts to be paid as interest, principal or premium, if any, upon any Related Bonds from time to time outstanding.

Obligated Group Affiliates

Each Controlling Member will cause each of its Obligated Group Affiliates to pay, loan or otherwise transfer to the Obligated Group Agent or other Member (a) such amounts as are necessary to duly and punctually pay the principal of and premium, if any, interest and any other amount payable on all Outstanding Obligations or portions thereof the proceeds of which were loaned or otherwise made available to such Obligated Group Affiliate or that were otherwise issued for the benefit of such Obligated Group Affiliate and any other payments, required by the terms of such Obligations, the applicable Supplemental Master Indenture and the Master Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise; and (b) such amounts that are otherwise necessary to enable each Member to comply with the provisions of the Master Indenture with respect to the other Obligations issued by a Member of the Obligated Group.

The Obligated Group Agent must at all times maintain an accurate and complete list of all Persons designated as Obligated Group Affiliates. The Obligated Group Agent by a Board Resolution may designate any Person as an Obligated Group Affiliate under the Master Indenture. The Obligated Group Agent by Board Resolution must also designate for each Obligated Group Affiliate a Member to serve as the Controlling Member for such Obligated Group Affiliate. Each Controlling Member must cause the Obligated Group Affiliate to provide the Obligated Group Agent a Board Resolution accepting its status as Obligated Group Affiliate and acknowledging the provisions of the Master Indenture affecting the Obligated Group Affiliates. So long as a Person is designated as an Obligated Group Affiliate, the Obligated Group Agent or such Controlling Member must either (i) maintain, directly or indirectly, control of such Obligated Group Affiliate, including the power to direct the management, policies, disposition of assets and actions of such Obligated Group Affiliate to the extent required to cause such Obligated Group Affiliate to comply with the terms and conditions of the Master Indenture, whether through the ownership of voting securities, by contract, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors or otherwise, or (ii) execute and have in effect such contracts or other agreements that the Obligated Group Agent and the Controlling Member, in the sole judgment of the respective Governing Body, deems sufficient for the Controlling Member to

cause such Obligated Group Affiliate to comply with the terms and conditions of the Master Indenture. Any Person will cease to be an Obligated Group Affiliate and will not be subject to any of the provisions of the Master Indenture upon the declaration of the Governing Body of the Obligated Group Agent in a Board Resolution, and upon such declaration, such Person will no longer be subject to any of the covenants applicable to an Obligated Group Affiliate under the Master Indenture. The Obligated Group Agent will deliver to the Master Trustee each Board Resolution designating an Obligated Group Affiliate or declaring that a Person is no longer an Obligated Group Affiliate.

Each Controlling Member covenants in the Master Indenture that it will cause each of its Obligated Group Affiliates to comply with the terms and conditions of the Master Indenture which are applicable to such Obligated Group Affiliate, and of the Related Loan Documents, if any, to which such Obligated Group Affiliate is a party.

Addition or Deletion of Obligated Group Affiliates

In addition to satisfying the provisions described under “THE MASTER INDENTURE—Obligated Group Affiliates” and the execution and delivery of a Contribution Agreement by the Obligated Group Affiliate, the Obligated Group Agent will not designate an Obligated Group Affiliate or terminate an Obligated Group Affiliate’s status as such unless:

(a) an Officer’s Certificate of the Obligated Group Agent is delivered to the Master Trustee demonstrating that no Member of the Obligated Group and no Obligated Group Affiliate, including such Obligated Group Affiliate immediately after such designation or termination, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(b) an Officer’s Certificate of the Obligated Group Agent is delivered to the Master Trustee which demonstrates that (i)(A) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available, calculating such Long-Term Debt Service Coverage Ratio as if such Member had been designated or terminated as an Obligated Group Affiliate, as the case may be, on the first day of such Fiscal Year, would have been at least 75% (90% if such Long-Term Debt Service Coverage Ratio is less than 2.5:1.0) of the actual Long-Term Debt Service Coverage Ratio for such Fiscal Year; (B) one dollar of Additional Indebtedness could be incurred as described under “THE MASTER INDENTURE—Limitations on Indebtedness” as of the date of such designation or termination, and (C) the Obligated Group’s unrestricted fund balance, giving effect to such designation or termination, will not be reduced by more than 10%, or (ii) the Liquidity Facility Provider has given its written consent to such designation or termination.

Entrance Into the Obligated Group

Any Person may become a Member of the Obligated Group if:

(a) such Person executes and delivers to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which is executed by the Master Trustee and the Obligated Group Agent, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the Master Indenture) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person substantially similar

to those set forth in the Master Indenture and except that any representation regarding organization and good standing will refer to the actual state of organization of such Person (but with such deviations as are acceptable to the Master Trustee);

(b) the Obligated Group Agent by Board Resolution has approved the admission of such Person to the Obligated Group;

(c) the Master Trustee has received (i) a certificate of the Obligated Group Agent which demonstrates that (A) immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default of the performance or observance of any covenant or condition to be performed or observed by them under the Master Indenture, and (B) the Coverage Test would be met for the most recent Fiscal Year, calculating such Coverage Test as if such Person had become a Member on the first day of such Fiscal Year, (ii) an opinion of Independent Counsel to the effect that the instrument described in paragraph (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity, (iii) an agreement of such Person to be bound by the provisions of the continuing disclosure agreements with respect to Related Bonds if such Person constitutes an "obligated person" within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), and (iv) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law the consummation of such transaction, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Related Bond otherwise entitled to such exemption;

(d) prior to such addition as a Member of the Obligated Group, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the addition of the proposed Member to the Obligated Group will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled;

(e) prior to and immediately after such addition as a Member of the Obligated Group, no Event of Default exists and no event will have occurred which with the passage of time or the giving of notice, or both, would become an Event of Default;

(f) prior to addition as a Member of the Obligated Group, there is delivered to the Master Trustee either (i) a certificate of the Obligated Group Agent which demonstrates that (A) the Long Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available, calculating such Long-Term Debt Service Coverage Ratio as if such Member had been added to the Obligated Group on the first day of such Fiscal Year, would have been at least 75% (90% if such Long-Term Debt Service Coverage Ratio is less than 2.5:1.0) of the actual Long-Term Debt Service Coverage Ratio for such Fiscal Year; (B) one

dollar of Additional Indebtedness could be incurred as described under “THE MASTER INDENTURE—Limitations on Indebtedness” as of the date of such addition and giving effect to such addition and (C) the Obligated Group’s unrestricted fund balance, giving effect to such addition, will not be reduced by more than 10%, or (ii) the Liquidity Facility Provider’s written consent to such addition; and

(g) Exhibit A to the Master Indenture is amended to add such Person as a Member.

Cessation of Status as a Member of the Obligated Group

Each Member has covenanted that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) prior to cessation of such status, there is delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Related Bond would otherwise be entitled;

(b) prior to and immediately after such cessation, no Event of Default exists and no event has occurred which with the passage of time or the giving of notice, or both, would become an Event of Default;

(c) prior to cessation of such status, the Obligated Group Agent delivers to the Master Trustee a written consent to the withdrawal by such Member; and

(d) prior to cessation of such status, there is delivered to the Master Trustee a certificate of the Obligated Group Agent which demonstrates that the Coverage Test would be met for the most recent Fiscal Year, calculating such Coverage Test as if such Member had withdrawn from the Obligated Group on the first day of such Fiscal Year; and

(e) prior to cessation of such status, there is delivered to the Master Trustee either (i) a certificate of the Obligated Group Agent which demonstrates that (A) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available, calculating such Long-Term Debt Service Coverage Ratio as if such Member had withdrawn from the Obligated Group on the first day of such Fiscal Year, would have been at least 75% (90% if such Long-Term Debt Service Coverage Ratio is less than 2.5:1.0) of the actual Long-Term Debt Service Coverage Ratio for such Fiscal Year; (B) one dollar of Additional Indebtedness could be incurred as described under “THE MASTER INDENTURE—Limitations on Indebtedness” as of the date of such cessation and giving effect to such cessation and (C) the Obligated Group’s unrestricted fund balance, giving effect to such cessation, will not be reduced by more than 10%; or (ii) the Liquidity Facility Provider’s written consent to such cessation.

Notwithstanding the foregoing the Authority may not cease to be a Member of the Obligated Group without the consent of the Liquidity Facility Provider. In addition, notwithstanding the foregoing, no other Member of the Obligated Group which has Total Operating Revenues (determined in accordance with generally accepted accounting principles) representing more than 20% of the total operating

revenues (determined in accordance with generally accepted accounting principles) of the Obligated Group for the preceding Fiscal Year for which Financial Statements are available will cease to be a Member of the Obligated Group without the consent of the Liquidity Facility Provider except if such change of status by such Member is solely as permitted in connection with events, and in conformity with the conditions described under “THE MASTER INDENTURE—Substitution of Obligations” or upon compliance with the provisions described under “THE MASTER INDENTURE—Merger, Consolidation, Sale or Conveyance.”

Right To Contest

No Member or Obligated Group Affiliate will be required to remove any Lien required to be removed under the Master Indenture, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Obligations), demands and claims against it or to comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to in the Master Indenture, so long as such Member or Obligated Group Affiliate contests, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which operates during the pendency thereof to prevent the collection of or other realization upon the obligation, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture or loss of its Property or any part thereof, provided, that no such contest will subject any Related Issuer, any Obligation holder or the Master Trustee to the risk of any liability.

Coverage Test

Each Member covenants and agrees to, and each Controlling Member covenants to cause each of its Obligated Group Affiliates to provide funds sufficient to pay promptly all payments due on its Indebtedness and other liabilities, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member further covenants and agrees that it will, and each Controlling Member covenants that it will cause each of its Obligated Group Affiliates to, from time to time as often as necessary and to the extent permitted by law, revise its methods of operation and its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture described under the caption “Coverage Test.”

The Obligated Group Agent shall cause the Historical Debt Service Coverage Ratio for the Obligated Group and the Obligated Group Affiliates to be calculated no later than six months following the end of each Fiscal Year. If, in any Fiscal Year, such Coverage Test is not met, the Obligated Group Agent shall retain a Consultant to make recommendations to increase the Historical Debt Service Coverage Ratio for subsequent Fiscal Years to at least meet the Coverage Test or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member covenants and agrees, and each Controlling Member covenants to cause each of its Obligated Group Affiliates to follow the recommendations of the Consultant, to the extent feasible. So long as the Obligated Group Agent retains a Consultant and the Member follows, and each Controlling Member causes each of its Obligated Group Affiliates to follow, such Consultant’s recommendations to the extent feasible, the failure to meet the Coverage Test will not constitute an Event of Default under the Master Indenture, unless and until such Historical Debt Service Coverage Ratio falls below 1.0:1. Notwithstanding the foregoing, the Obligated Group Agent shall not be required to retain a Consultant more frequently than every two years.

Nothing described above will be construed to prohibit any Member or Obligated Group Affiliate which is a Tax-Exempt Organization from serving indigent patients or from serving any other class or

classes of patients without charge or at reduced rates to the extent necessary to preserve such status as a Tax-Exempt Organization.

Covenant Regarding Indebtedness Ratio

The Members of the Obligated Group agree, and each Controlling Member shall cause its Obligated Group Affiliates to agree that the Indebtedness Ratio at the end of each Fiscal Year will not be greater than 0.65:1.0.

If for any Fiscal Year, the Indebtedness Ratio exceeds the limitations described in the preceding paragraph, then the Obligated Group Agent will promptly prepare and deliver to the Liquidity Facility Provider a detailed analysis of the actions to be taken in the Fiscal Year following the occurrence of such event in order that the Indebtedness Ratio will not exceed the limitations described in the preceding paragraph in such Fiscal Year. Each Obligated Group Member agrees, and each Controlling Member agrees to cause its Obligated Group Affiliate, to implement such actions. The Obligated Group Agent agrees to provide updates to the Liquidity Facility Provider with respect to the implementation of such actions, at least quarterly, until the Indebtedness Ratio has been reduced to the level required. Failure by the Obligated Group to comply with the Indebtedness Ratio requirements described in the preceding paragraph for a period of two years will constitute an Event of Default as described under this caption and under “THE MASTER INDENTURE—Events of Default.”

Rates and Changes Covenant

(a) Each Member of the Obligated Group agrees to manage its business, and each Controlling Member agrees to cause each of its Obligated Group Affiliates to manage its business, such that the Long-Term Debt Service Coverage Ratio of the Members of the Obligated Group and the Obligated Group Affiliates, calculated at the end of each Fiscal Year, will not be less than 1.50:1.00. Failure to meet such Long-Term Debt Service Coverage Ratio will not constitute an Event of Default in and of itself.

(b) If for any Fiscal Year the Long-Term Debt Service Coverage Ratio is not at least 1.25:1.00, the Obligated Group Agent covenants in the Master Indenture to retain a Consultant within 60 days of such determination (the Consultant and scope of review to be reasonably acceptable to the Liquidity Facility Provider) to make recommendations to increase Income Available for Debt Service in the following Fiscal Year to the level required to result in a Long-Term Debt Service Coverage Ratio of at least 1.25:1.00 or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable (provided, however, that a Consultant need not be hired for such purpose more frequently than once in any two-year period). The Obligated Group Agent agrees in the Master Indenture to cause the Consultant to transmit a copy of its recommendations simultaneously to the Obligated Group Agent, the Liquidity Facility Provider and the Master Trustee. The Liquidity Facility Provider will be entitled to consult with the Consultant, attend the Consultant's briefings with the Obligated Group Agent and receive all interim reports of the Consultant. Each Obligated Group Member agrees in the Master Indenture, and each Controlling Member agrees in the Master Indenture to cause its Obligated Group Affiliates, to consider any recommendations of the Consultant and to implement such recommendations unless the Obligated Group Agent notifies the Liquidity Facility Provider that such recommendations are impracticable or not feasible operationally (in whole or in part) and the Liquidity Facility Provider consents to any such nonperformance. Failure to retain a Consultant or failure to follow recommendations will constitute an event of default as described under “THE MASTER INDENTURE—Events of Default.” Subject to the foregoing, so long as the provisions of this clause (b) are complied with,

the rates and changes covenant described herein will be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio is below the required level in clause (a) hereof so long as the Income Available for Debt Service is sufficient to pay the debt service on all Indebtedness for such Fiscal Year; but notwithstanding any provision of the Master Indenture to the contrary, in no event may the Long-Term Debt Service Coverage Ratio for any Fiscal Year be less than 1.0:1.0 and failure to meet such requirement will constitute an event of default as described under “THE MASTER INDENTURE—Events of Default.”

(c) If the Long-Term Debt Service Coverage Ratio of the Members of the Obligated Group and the Obligated Group Affiliates, calculated at the end of each Fiscal Year, is less than 1.50:1.00, then the Obligated Group Agent will promptly prepare and deliver to the Liquidity Facility Provider a detailed analysis of the actions to be taken in the Fiscal Year following the occurrence of such event in order that the Long-Term Debt Service Coverage Ratio will be at least 1.50:1.00 in such Fiscal Year.

(d) The calculations required under clause (a), (b) or (c) hereof will be performed on unaudited annual financial statements when available (but not later than 60 days after the end of the Fiscal Year) and audited Financial Statements when available (but not later than 150 days after the end of the Fiscal Year).

Liquidity Covenant

Each Member of the Obligated Group agrees, and each Controlling Member agrees that it will cause its Obligated Group Affiliates, to maintain Unrestricted Cash and Investments such that the Unrestricted Cash and Investments of the Members of the Obligated Group and the Obligated Group Affiliates collectively are equal to at least 90 Days Cash on Hand of the Members of the Obligated Group and the Obligated Group Affiliates collectively. If the Members of the Obligated Group and the Obligated Group Affiliates collectively fail to maintain Unrestricted Cash and Investments equal to at least 90 Days Cash on Hand, such failure will not constitute an Event of Default, but the Obligated Group Agent will retain a Consultant (the Consultant and the scope of the Consultant’s review to be reasonably acceptable to the Liquidity Facility Provider) within 60 days of such determination. Failure to retain a Consultant, or follow the Consultant’s recommendations, or maintain Unrestricted Cash and Investments equal to at least 50 Days Cash on Hand will constitute an event of default as described under “THE MASTER INDENTURE—Events of Default.” The calculation of the liquidity covenant set forth above will be performed semi-annually on audited Financial Statements when first available (but not later than 150 days after the end of the Fiscal Year) and on unaudited financial statements six months thereafter. A copy of the Consultant’s report, opinion, certificate and recommendations will be filed simultaneously with the Bond Trustee, the Obligated Group Agent and the Liquidity Facility Provider. The Liquidity Facility Provider will be entitled to consult with the Consultant, attend the Consultant’s briefings with the Obligated Group Agent and to receive all interim reports of the Consultant.

Limitations on Indebtedness

Each Member of the Obligated Group covenants and agrees in the Master Indenture that it will not incur any Additional Indebtedness nor permit any Obligated Group Affiliate to incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group and the Obligated Group Affiliates, such Indebtedness could not be incurred pursuant to clauses (a) through (h), inclusive, below and the last paragraph under this caption “Limitations on Indebtedness.” Any Indebtedness may be incurred only in the manner and pursuant to the terms described below and as set forth in the Master Indenture.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Agent for which there are Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period but excluding any debt service attributable to Long-Term Indebtedness no longer outstanding after such period and excluding any debt service attributable to Long-Term Indebtedness to be discharged and no longer outstanding simultaneously with the issuance of the proposed Long-Term Indebtedness, is not less than 1.35; or

(ii) (A) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in clause (a)(i) above, excluding the proposed Long-Term Indebtedness, is at least 1.10 and (B) a written report of a Consultant demonstrating that the expected Long-Term Debt Service Coverage Ratio is expected to be not less than 1.40 for each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Obligated Group and the Obligated Group Affiliates for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Obligated Group and the Obligated Group Affiliates are based; provided, however, that compliance with the tests set forth in this clause (a)(ii) may be evidenced by a certificate of the Obligated Group Agent in lieu of a Consultant's report where the Long-Term Debt Service Coverage Ratio set forth in this clause (a)(ii)(B) is equal to or greater than 1.50; and provided further, that the requirement of a written report of a Consultant described in this clause (B) may not be satisfied by a report which opines that applicable laws or regulations have precluded compliance with the tests described under this caption "THE MASTER INDENTURE—Limitations on Indebtedness" in order to excuse compliance with such tests.

In addition, prior to the issuance of Long-Term Indebtedness for the purpose of financing the acquisition, construction or equipping of facilities of the Members of the Obligated Group or Obligated Group Affiliates, the Officer's Certificate mentioned in clauses (a)(i) or (ii) above must also include a statement to the effect that to the best of his or her knowledge, the amount of such Long-Term Indebtedness together, if applicable, with other available funds, will be sufficient to pay for the costs of such facilities.

(b) Without complying with paragraph (a) above, Long Term Indebtedness may be incurred; provided that at the time any Indebtedness is incurred pursuant to this paragraph (b), the aggregate of the principal amount of Indebtedness Outstanding under this clause (b) and clauses (d)(i), (e), (f) and (g) below will not exceed 15% of Total Operating Revenues as reflected in the Financial Statement of the Obligated Group and the Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available.

(c) Long-Term Indebtedness may be incurred for the purpose of refunding any Outstanding Long-Term Indebtedness if, prior to the incurrence of such Long-Term Indebtedness, (i) if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness, there is delivered to the Master Trustee (A) an Officer's Certificate demonstrating that Maximum Annual Debt Service will not increase by more than 15% after the incurrence of

such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; and (B) an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding which Opinion of Counsel may rely upon a verification report of an independent certified public accountant with respect to the sufficiency of any escrow therefor; or (ii) if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Agent stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 15%.

(d) (i) Short Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short Term Indebtedness will not at any time exceed 10% of Total Operating Revenues as reflected in the Financial Statements of the Obligated Group and the Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available; provided, however, that there will be a period of at least 20 consecutive calendar days during each such period of 12 consecutive calendar months during which Short Term Indebtedness will not exceed 2% of Total Operating Revenues; provided, further, that at the time any Indebtedness is incurred pursuant to this clause (d)(i), the aggregate of the principal amount of Indebtedness Outstanding under this clause (d)(i), paragraph (b) above and paragraphs (e), (f) and (g) below will not exceed 15% of Total Operating Revenues as reflected in the Financial Statements of the Obligated Group and the Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available.

(ii) Short Term Indebtedness may also be incurred if the tests set forth in clause (a)(i) or (ii) are met with respect to the incurrence of such Short Term Indebtedness. For the purpose of calculating compliance with the tests set forth in clause (a)(i) or (ii), the Short Term Indebtedness to be incurred pursuant to this clause (d)(ii) will be treated as Long-Term Indebtedness.

(e) Non Recourse Indebtedness may be incurred, subject to the limitation that at the time any Indebtedness is incurred as described in this paragraph (e), the aggregate of the principal amount of Indebtedness Outstanding as described under this paragraph (e), paragraph (b) and clause (d)(i) above, and paragraphs (f) and (g) below, will not exceed 15% of the Total Operating Revenues as reflected in Financial Statements of the Obligated Group and Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available.

(f) Completion Indebtedness may be incurred subject to the limitation that at the time any Indebtedness is incurred as described in this paragraph (f), the aggregate of the principal amount of Indebtedness Outstanding as described under this paragraph (f), paragraph (b), clause (d)(i) and paragraph (e) above, and paragraph (g) below, will not exceed 15% of the Total Operating Revenues as reflected in Financial Statements of the Obligated Group and Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available; provided, however, that prior to the incurrence of Completion Indebtedness, the Obligated Group Agent will furnish to the Master Trustee: a certificate of an architect estimating the costs of completing the facilities for which Completion Indebtedness is to be incurred; an Officer's Certificate certifying that to the best of his knowledge, the amount of Completion Indebtedness to be incurred will be sufficient, together with other funds, if

applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred; and a certificate from a Consultant to the effect that the Long Term Indebtedness originally incurred to finance the costs of the construction of the facilities in respect of which Completion Indebtedness is to be incurred was estimated prior to the date of incurrence of the original Long Term Indebtedness to be sufficient, together with other funds, if applicable, to complete the construction of such facilities, but due to certain factors enumerated in the certificate the costs of constructing such facilities exceeded the amount of the original Indebtedness plus other funds, if applicable.

(g) Subordinated Debt may be incurred subject to the limitation that at the time any Indebtedness is incurred as described in this paragraph (g), the aggregate of the principal amount of Indebtedness Outstanding under this paragraph (g), and paragraph (b), clause (d)(i), paragraph (e) and paragraph (f) above will not exceed 15% of the Total Operating Revenues as reflected in Financial Statements of the Obligated Group and Obligated Group Affiliates for the most recent period of 12 consecutive months for which Financial Statements are available.

(h) Commitment Indebtedness may be incurred without limit.

Indebtedness incurred pursuant to any one of the clauses above may be reclassified as Indebtedness incurred pursuant to any other of such clauses if the tests set forth in the clause to which such Indebtedness is to be reclassified are met at the time of such reclassification.

In addition to the foregoing, each Member of the Obligated Group agrees, and each Controlling Member agrees that it will cause its Obligated Group Affiliates, not to incur Additional Indebtedness, unless an Officer's Certificate of the Obligated Group Agent is filed with the Master Trustee (a) stating that no event of default has occurred and is continuing under the Master Indenture and that the Members of the Obligated Group and the Obligated Group Affiliates are in compliance with the provisions of the Master Indenture on the date of any such incurrence; and (b) demonstrating that for the most recent Fiscal Year for which Financial Statements are available, the Indebtedness Ratio of the Obligated Group and the Obligated Group Affiliates, taking into account all Outstanding Indebtedness and the Additional Indebtedness then to be incurred as if it had been incurred during such Fiscal Year, does not exceed 0.65:1.0.

Merger, Consolidation, Sale or Conveyance

(a) Each Member of the Obligated Group agrees in the Master Indenture, and the Controlling Member must cause each of its Obligated Group Affiliates, not to merge or consolidate with, or sell or convey all or substantially all of its Property to any Person that is not a Member of the Obligated Group unless:

(i) any successor entity to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) ("Successor Entity") is a corporation organized and existing under the laws of the United States of America or a state thereof and executes and delivers to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such Successor Entity to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture to be kept and performed by such Member; provided, a Member may sell or convey all or substantially all of its Property to a Successor Entity which is not a corporation;

(ii) immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;

(iii) the Master Trustee has received a certificate of the Obligated Group Agent which demonstrates that the Coverage Test would be satisfied for the most recent Fiscal Year, calculating such Coverage Test as if such merger, consolidation, sale or conveyance had occurred on the first day of such Fiscal Year and the written approval of the Obligated Group Agent of such merger, consolidation, sale or conveyance;

(iv) the Master Trustee has received an opinion of Independent Counsel to the effect that the instrument described in paragraph (a)(i) has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and applications of general principles of equity; and

(v) if all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there has been delivered to the Master Trustee an opinion of nationally recognized municipal bond counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the original date of delivery of such Related Bonds, would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(vi) there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent: (A) stating that such merger, consolidation, sale or conveyance would not cause to exist or create an event of default and no Member of the Obligated Group or any Obligated Group Affiliate, including such successor Person, immediately after such merger, consolidation, sale or conveyance would be in default in the performance or observance of any covenant or condition of the Master Indenture which, with the passage of time or the giving of notice, or both, would become an Event of Default; and (B) demonstrating that (1) (aa) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available, calculating such Long-Term Debt Service Coverage Ratio as if such merger, consolidation, sale or conveyance had occurred on the first day of such Fiscal Year, would have been at least 75% (90% if such Long Term Debt Service Coverage Ratio is less than 2.5:1.0) of the actual Long Term Debt Service Coverage Ratio for such Fiscal Year; (bb) one dollar of Additional Indebtedness could be incurred as described under "THE MASTER INDENTURE—Limitations on Indebtedness" as of the date of such merger, consolidation, sale or conveyance and giving effect to such merger, consolidation, sale or conveyance and (cc) the Obligated Group's unrestricted fund balance, giving effect to such merger, consolidation, sale or conveyance, will not be reduced by more than 10%; or (2) the Liquidity Facility Provider has given its written consent to such merger, consolidation, sale or conveyance.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the Successor Entity, such Successor Entity will succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such

Member. The Member party to such transaction, if it is not the survivor, will thereupon be relieved of any further obligation or liabilities under the Master Indenture or under the Obligations and such Member as the predecessor or nonsurviving corporation may thereupon or at any time thereafter be dissolved, wound up or liquidated. Any Successor Entity to such Member thereupon may cause to be signed and may issue in its own name Obligations under the Master Indenture and the predecessor corporation will be released from its obligations under the Master Indenture and under any Obligations. All Obligations so issued by such Successor Entity thereunder will in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued thereunder by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance, such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered thereunder.

(e) In addition to the changes contemplated in clause (a), a Member which is not a corporation may agree to make changes to its legal structure and create successor, assignee, resulting or transferee entities of such Member subject to the conditions in the Master Indenture. Each Member agrees that prior to the occurrence of such change, the Member will show compliance with the provisions of clause (a) hereof (except as that may relate to maintenance of status as a corporation) in a manner consistent with the type of legal existence which the Member and the Successor Entity will enjoy. The Master Trustee may rely on an opinion of Independent Counsel as conclusive evidence that any such change and any assumption complies with the provisions of the Master Indenture and that it is proper for the Master Trustee to join in the execution of any instrument required to be executed and delivered thereunder.

Financial Statements

The Members covenant and agree that they will keep or cause to be kept proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of the Obligated Group in accordance with generally accepted accounting principles. Each Controlling Member will cause its Obligated Group Affiliates to keep or cause to be kept proper books of records and account in which full, true and correct entries will be made of all dealings or transactions of, or in relation to, the business and affairs of such Obligated Group Affiliate in accordance with generally accepted principles.

Liens on Property

The Members will not, and a Controlling Member will not permit any of its Obligated Group Affiliates to, create or incur or permit to be created or incurred or to exist any Lien (including subordinate and non-recourse Liens) upon Property now owned or hereafter acquired by it other than Permitted Encumbrances described in clauses (a) through (q) inclusive and (y) and (z) of the definition thereof contained herein unless (i) the Lien is a Permitted Encumbrance described in clause (r), (s), (t), (u), (v), (w) or (x) of the definition of "Permitted Encumbrances," (ii) the value of Property constituting all

Permitted Encumbrances described in clauses (r), (s), (t), (u), (v), (w) or (x) of the definition of “Permitted Encumbrances” is equal to or less than 10% (5% if the ratings on the Related Bonds have fallen to or below “BBB” by S&P or Fitch or “Baa2” by Moody’s) of net Property, Plant and Equipment; and (iii) at the time the Lien constituting such a Permitted Encumbrance is incurred, one dollar of Additional Indebtedness could be incurred as described under “THE MASTER INDENTURE—Limitations on Indebtedness”; provided, however, that no Lien described in clauses (r), (s), (t), (u), (v), (w) or (x) of the definition of “Permitted Encumbrances” will create a Lien on any of the real Property subject to the Fitzsimons Ground Lease unless such Lien also secures all other Obligations on a parity basis. Each Member will, and each Controlling Member will cause its Obligated Group Affiliates to, report to the Obligated Group Agent, the creation of a Lien on its Property prior to the creation of the Lien to the extent within its power and control. The Obligated Group Agent will monitor the compliance of the Members and Obligated Group Affiliates with such requirement. The Members will not, and a Controlling Member will not permit any of its Obligated Group Affiliates to sell or place any Lien on its accounts receivable; provided, however, the Members shall be allowed to sell and/or grant a Lien on accounts receivable specifically related to financing programs for patient responsible portions of balances due.

Sale, Lease or Other Disposition of Property, Plant and Equipment

Each Member of the Obligated Group agrees, and each Controlling Member agrees that it will cause its Obligated Group Affiliates, not to sell, lease, transfer or otherwise dispose of (each, a “disposition”) in any Fiscal Year any Property, Plant and Equipment in excess of 5% of the net book value of Property, Plant and Equipment and not to transfer any programs or services that account for more than 5% of net patient service revenues unless (a) such Property, Plant and Equipment, program or service is inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary; (b) if such transfer or disposition is not in the ordinary course of business, then such disposition or transfer is for fair market value as determined by the Person making such transfer or disposition (provided that if such transfer or disposition is to an affiliate of a Member of the Obligated Group or an Obligated Group Affiliate which affiliate is not a Member of the Obligated Group or an Obligated Group Affiliate, the establishment of the fair market value must be determined by an M.A.I. appraiser with respect to real estate or by an expert qualified to determine such fair market value in cases other than real estate) and will not impair the structural soundness, efficiency or economic value of the remaining Property, Plant and Equipment, programs or services; (c) such transfer or disposition is in the ordinary course of business and for fair market value as the Person making such transfer or disposition will determine; (d) such transfer or disposition is of Property consisting solely of assets which are specifically restricted by the donor or grantor to a particular purpose the result of which is that neither the Property nor the income nor any earnings thereon will ever be available to pay debt service on Indebtedness or operating expenses in connection with any Property; (e) such disposition or transfer is of Property located at the Authority’s Denver Campus (9th and Colorado), or is Property consisting of the Authority’s Center for Dependency, Addiction and Rehabilitation; (f) such disposition or transfer is to another Member of the Obligated Group or to an Obligated Group Affiliate; or (g) either (i) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year, calculated as if the disposition or transfer had occurred at the beginning of such Fiscal Year, would be greater than the actual Long-Term Debt Service Coverage Ratio for such Fiscal Year or would be at least 3.0:1.0; (ii)(A) after giving effect to the disposition or transfer, the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year would be at least 75% (90% if such Long-Term Debt Service Coverage Ratio is less than 2.5:1.0) of the actual Long-Term Debt Service Coverage Ratio for such Fiscal Year; (B) one dollar of Additional Indebtedness could be incurred as described under “THE MASTER INDENTURE—Limitations on Indebtedness” as of the date of such transfer or disposition and (C) the Obligated Group’s unrestricted fund balance, giving effect to such disposition or transfer, will not be reduced by more than 10%, or (ii) the Liquidity Facility Provider has given its written consent to such transfer or disposition.

Transfers of Unrestricted Cash and Investments

The Members of the Obligated Group agree in the Master Indenture, and each Controlling Member must cause its Obligated Group Affiliates to agree, that Unrestricted Cash and Investments will not be disposed, transferred, loaned or invested (each a “disposition”) unless (a) such disposition is in marketable or liquid securities; (b) such disposition is for fair market value (determined by the Person making such disposition) not in the ordinary course of business (provided that if such disposition is to an affiliate of a Member of the Obligated Group or an Obligated Group Affiliate which affiliate is not a Member of the Obligated Group or an Obligated Group Affiliate, the establishment of the fair market will be determined by an expert qualified to determine such fair market value); or (c) such disposition is in the ordinary course of business for fair market value as the Person making such disposition will determine; or otherwise unless after giving effect to disposition of such Unrestricted Cash and Investments:

(i) Unrestricted Cash and Investments would not decline by more than 20% of the lesser of the Unrestricted Cash and Investments as of the end of the prior Fiscal Year or as of the date of the disposition; and

(ii) Unrestricted Cash and Investments would be no less than the greater of (A) a dollar amount equal to 90 Days of Operating Expenses calculated as of the end of the most recently audited Fiscal Year or (B) a dollar amount equal to 90 Days of Operating Expenses calculated as of the date of the disposition.

Financial Products Agreements

Any Member of the Obligated Group may enter into a Financial Products Agreement or Agreements, the payments on which may be secured by an Obligation on a parity with other Obligations issued under the Master Indenture, and such Member may direct the Master Trustee to issue an Obligation or Obligations and enter into a Supplemental Master Indenture with respect thereto in accordance with the Master Indenture (in which case the Obligation for such purpose may be issued without meeting the requirements described under “THE MASTER INDENTURE—Limitations on Indebtedness” and such Obligation will not be taken into account for purposes of any financial or other covenant contained in the Master Indenture). Except with respect to the Financial Products Agreements of the Authority existing as of the date of issuance of the Series 2018B Bonds or any other Financial Products Agreements consented to in writing by the providers of any insurance or other credit enhancement with respect to any Related Bonds: (a) the Financial Products Agreement must be entered into as a hedge against then outstanding Financial Products Agreements or against debt outstanding or debt expected to be issued or as a means of achieving a forward refunding or against assets or other investments which may or may not be directly related to debt held at the time of the execution of the Financial Products Agreement (including any reverse swaps); (b) the Financial Products Agreement will not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively offsets the exposure from any such element or component or the Financial Products Agreement is an exchange of one floating rate for another; (c) unless the Obligation of the member of the Obligated Group or Obligated Group Affiliate is insured, the net settlement, breakage or other termination amount of uninsured Financial Products Agreements then in effect and the Financial Products Agreement to be executed, determined, in the case of the Financial Products Agreement then to be executed, at the fair market value thereof (mid-market), at the time of execution and delivery of the Financial Products Agreement to be executed, would not result in Unrestricted Cash and Investments equal to less than 90 days of Operating Expenses; (d) the counterparty to the Financial Products Agreement must be a Qualified Provider, and (e) there will be no events of default where the Financial Products Agreement provider is the defaulting party or termination events wherein the Financial Products Agreement provider is the affected party which result in an “immediate early termination” of the Financial Products Agreement without the

consent of the Member of the Obligated Group or Obligated Group Affiliate which is a party to such Financial Products Agreement.

Any Member of the Obligated Group may enter into a Financial Products Agreement or Agreements, as described in the previous paragraph, provided that any such Financial Products Agreement must also satisfy the following conditions:

(a) Any Qualified Provider pursuant to a Financial Products Agreement must have a rating of at least “A+” by S&P or Fitch or “A2” by Moody’s, or otherwise must be approved by the Liquidity Facility Provider in writing.

(b) Termination Payments on Financial Products Agreements which are insured by credit enhancers shall be on a parity with other Obligations issued under the Master Indenture. Termination Payments on Financial Products Agreements which are not insured by credit enhancers shall be subordinated and subject in right of payment to the prior payment of principal, premium, if any, sinking funds and interest on the Obligations and any other payments then due and payable on Obligations (the “Senior Obligations”), except as expressly subordinate pursuant to the applicable Obligation. Failure to make a Termination Payment shall not constitute an Event of Default under the Master Indenture so long as any Senior Obligations are outstanding. No Termination Payment shall be made to the extent that such payment would cause the Unrestricted Cash and Investments of the Members of the Obligated Group and the Obligated Group Affiliates to be less than 100 Days Cash on Hand. If, due to the provisions of the previous sentence, the entire Termination Payment cannot be made when due, but a portion of such Termination Payment could be made without causing the Unrestricted Cash and Investments of the Members of the Obligated Group and the Obligated Group Affiliates to be less than 100 Days Cash on Hand as of such date, then such partial payment shall be made when due, and the balance of the Termination Payment payable to the Swap Provider, as determined in accordance with the preceding two sentences, shall be due and payable on the first Business Day of each month in which a Termination Payment is due and owing, as calculated on such date, to the extent that such Termination Payment could be made without causing the Unrestricted Cash and Investments of the Members of the Obligated Group and the Obligated Group Affiliate to be less than 100 Days Cash on Hand as of such date, continuing until such Termination Payment shall be paid in full.

(c) The posting of any collateral by the Obligated Group pursuant to the terms of a Financial Products Agreement shall be considered a Lien on such collateral, and as such, must comply with the provisions described under the caption “THE MASTER INDENTURE—Liens on Property” above. Any collateral posted pursuant to the terms of a Financial Products Agreement shall be excluded from the definition of “Unrestricted Cash and Investments” for purposes of calculating Days Cash on Hand.

Insurance

Each Member of the Obligated Group agrees in the Master Indenture to, and each Controlling Member covenants that it will cause each of its Obligated Group Affiliates to, maintain, or cause to be maintained, insurance (including reasonable deductibles as reviewed by an Insurance Consultant) of such types and in such amounts as is customary for health care providers of similar size and character and in accordance with prevailing industry practice. Such insurance may be provided by one or more self-insurance programs, shared or pooled insurance programs or programs of captive insurance companies considered to be adequate by the Obligated Group Agent except that hazard or casualty risk on any real or personal property owned, leased or used by a Member of the Obligated Group or an Obligated

Group Affiliate, including Property, Plant and Equipment, will not be self-insured (except for reasonable deductibles as reviewed by an Insurance Consultant). At least once every two years (or annually in the case of self insurance), the Obligated Group Agent will employ an Insurance Consultant to prepare and file with the Master Trustee a report on the adequacy of the insurance maintained by the Members of the Obligated Group and the Obligated Group Affiliates. "Insurance Consultant" means a Person or firm who is not, and no member, stockholder, director, officer or employee of which is, an officer, director, trustee or employee of a Member of the Obligated Group or an Obligated Group Affiliate, which is an actuary or other Person qualified to survey risks and to recommend insurance coverage for hospitals, health related facilities and services and organizations engaged in such operations and other facilities operated by Members of the Obligated Group or the Obligated Group Affiliates.

In the event of any damage, condemnation or taking that exceeds 5% of the value of the Obligated Group's Property, Plant and Equipment (but based on market value rather than net book value), the Obligated Group will, subject to the provisions of the Fitzsimons Ground Lease use the proceeds thereof either to repair the damaged, condemned or taken property or to redeem Related Bonds with the proceeds of any insurance or condemnation proceeds received with respect thereto.

Lockbox

Upon the occurrence of an event described in clauses (a), (b), (c) or (d) below, but only after Liquidity Facility Provider direction to the Master Trustee, there will be established in the name of the Master Trustee an Unrestricted Receivables Account (the "Unrestricted Receivables Account"), to be held by a banking institution selected by the Obligated Group Agent, into which there will be deposited any and all unrestricted receipts and revenues of the Obligated Group. The Obligated Group covenants to take all action necessary to insure that all such receipts and revenues are deposited into the Unrestricted Receivables Account including, but not limited to, depositing directly all payments received and directing all debtors and payors to make all payments due to any Member of the Obligated Group to the Unrestricted Receivables Account and entering into such control agreements as the Liquidity Facility Provider will require. The Unrestricted Receivables Account will become subject to the lien of the Master Indenture in favor of the Holders of the Obligations. Amounts on deposit in such Unrestricted Receivables Account will be applied by the Obligated Group until the Master Trustee gives written notice to the Obligated Group of its exercise of remedies under the Master Indenture as a secured party and enforces its right and interest to such Unrestricted Receivables Account and the amounts on deposit therein. The Master Trustee is authorized under the Master Indenture to take such self help and other measures that a secured party is entitled to take pursuant to the Uniform Commercial Code. In the event such event which triggers the creation of such Unrestricted Receivables Account in the name of the Master Trustee is cured, the moneys in the Unrestricted Receivables Account will be transferred to the Obligated Group Agent.

The Master Trustee will establish the Unrestricted Receivables Account at the direction of the Liquidity Facility Provider after the occurrence of one or more of the following events:

- (a) the Obligated Group fails to maintain a Long-Term Debt Service Coverage Ratio of at least 1.10:1.0;
- (b) the Obligated Group fails to maintain Unrestricted Cash and Investments equal to at least 75 Days Cash on Hand (tested semi-annually as of the date of the audit and each six-month interval thereafter);
- (c) the Obligated Group's Indebtedness Ratio exceeds 0.70:1.0; or

(d) the Authority's credit ratings have fallen below "BBB" by Fitch or S&P or "Baa2" by Moody's.

The Obligated Group Agent will promptly notify the Liquidity Facility Provider after its knowledge of the occurrence of any of the events described in clauses (a), (b), (c) or (d) above.

Filing of Financial Statements, Certificate of No Default, Other Information

Each Member of the Obligated Group agrees in the Master Indenture, and each Controlling Member agrees in the Master Indenture to cause any of its Obligated Group Affiliates, to provide the Liquidity Facility Provider or its designee with access to all non-confidential records and to provide the following information:

(a) (i) no later than 150 days after the end of the Fiscal Year of the Obligated Group Agent, a copy of the Financial Statements (including combining schedules and management letters) together with an Officer's Certificate from the Obligated Group Agent (as reviewed by the auditors with respect to the Financial Statements) to the effect that the Members of the Obligated Group and the Obligated Group Affiliates (A) are in compliance with the covenants contained under the Master Indenture (including in the case of the covenants described under "THE MASTER INDENTURE—Covenant Regarding Indebtedness Ratio," "THE MASTER INDENTURE—Rates and Charges Covenant," and "THE MASTER INDENTURE—Liquidity Covenant" a detailed calculation evidencing such compliance); (B) no event of default or default which with the passage of time and/or the giving of notice would constitute an event of default, has occurred and is continuing; and (C) no event described in clauses (a), (b), (c) or (d), under "THE MASTER INDENTURE—Lockbox" above, has occurred and is continuing, and (ii) notices of "material events" listed in paragraph (b)(5)(i)(C) of Securities and Exchange Commission Rule 15c2-12 promptly after they have been sent to a nationally recognized municipal securities information repository pursuant to said paragraph; (iii) an Officer's Certificate from the Obligated Group Agent evidencing compliance (including a detailed calculation thereof) with any financial covenants tested on other than a year-end basis (such certification to be delivered within 60 days of the end of the applicable test period); and (iv) operational and utilization statistics for each Fiscal Year within 150 days after the end of the Fiscal Year; and

(b) upon request of the Liquidity Facility Provider, (i) prior to the beginning of each Fiscal Year a copy of the annual budget of the Authority; (ii) no later than 60 days after the end of each fiscal quarter or 90 days after the end of the fourth fiscal quarter (or 60 days after the end of each month if monthly statements are requested by the Liquidity Facility Provider), a copy of the unaudited financial statements of the Obligated Group and the Obligated Group Affiliates and utilization statistics for such fiscal quarter (or month as applicable); and (iii) such other reports, financial information, operating data and statistics (including but not limited to utilization statistics) as the Liquidity Facility Provider will reasonably request from time to time, including capital budgets, strategic plans, consulting studies, non-default letters and any template with respect thereto furnished by the Liquidity Facility Provider and reasonably acceptable to the Obligated Group Agent.

Miscellaneous Covenants

(a) The Members of the Obligated Group may not, and a Controlling Member may not permit any of its Obligated Group Affiliates to create or incur or permit to be created or

incurred or to exist any lien on any of its Property or its Gross Revenues, except for Permitted Encumbrances.

(b) UCHHealth, as Obligated Group Agent, covenants in the Master Indenture that it will cause each Obligated Group Affiliate, if any, to pledge its Gross Revenues to the Authority as a condition to becoming an Obligated Group Affiliate.

(c) The Obligated Group Agent agrees that it will provide the Liquidity Facility Provider with notice of any Event of Default under the Master Indenture, or of any event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default, as promptly as possible, but in any case within 5 business days after the Obligated Group Agent has learned of such event.

Events of Default

Each of the following events is an “event of default” under the Master Indenture:

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, on any Obligation when the same will become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise;

(b) failure of any Member to comply with, observe or perform any of the other covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 60 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations; provided, that if such default cannot with due diligence and dispatch be wholly cured within 60 days but can be wholly cured, the failure of the Member to remedy such default within such 60-day period will not constitute a default under the Master Indenture if the Member immediately upon receipt of such notice commences with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, thereafter prosecutes and completes the same with due diligence and dispatch;

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant to the Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and is not corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations;

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness (other than nonrecourse indebtedness) of any Member as and when the same becomes due, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness (including any Obligation) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder will not constitute an “event of default” under the Master Indenture unless the unpaid principal amount of such Indebtedness, together with the

unpaid principal amount of all other Indebtedness so in default, exceeds 5% of the Unrestricted Fund Balance of the Obligated Group and Obligated Group Affiliates as shown on or derived from the most recent financial reports required to be delivered pursuant to the Master Indenture provisions described herein under “THE MASTER INDENTURE—Financial Statements”;

(e) any judgment, writ or warrant of attachment or of any similar process is entered or filed against any Member or against any Property of any Member or Obligated Group Affiliate and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 60 days; provided, however, that none of the foregoing will constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds 5% of the Unrestricted Fund Balance of the Obligated Group and Obligated Group Affiliates as shown on or derived from the most recent financial reports required to be delivered pursuant to the Master Indenture provisions described herein under “THE MASTER INDENTURE—Financial Statements;”

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property;

(g) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 30 days after such appointment;

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 60 days after such institution; and

(i) payment of any installment of interest or principal, or any premium, on any Related Bond is not made when the same becomes due and payable under the provisions of any Related Bond Indenture.

Acceleration

If an event of default has occurred and is continuing, the Master Trustee may, and if requested by either the holders of not less than 25% in aggregate principal amount of Outstanding Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Obligations then outstanding thereunder and the interest accrued thereon immediately due and payable, and the entire principal and such interest will thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture described herein under “THE MASTER INDENTURE—Waiver of Events of Default” with respect to waivers of events of default.

Remedies; Rights of Obligation Holders

Upon the occurrence of any event of default under the Master Indenture, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations Outstanding thereunder and any other sums due thereunder and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an event of default has occurred, and if it has been requested so to do by either the holders of 25% or more in aggregate principal amount of Obligations Outstanding or the holder of an Accelerable Instrument upon whose request, pursuant to the provisions of the Master Indenture described herein under “THE MASTER INDENTURE—Acceleration,” the Master Trustee has accelerated the Obligations and if it has been indemnified as provided in the Master Indenture, the Master Trustee is obligated to exercise such one or more of the rights and powers conferred by the Master Indenture as the Master Trustee deems most expedient in the interests of the holders of Obligations; provided, however, that the Master Trustee has the right to decline to comply with any such request if the Master Trustee is advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith determines that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Obligations) is intended to be exclusive of any other remedy, but each and every such remedy is cumulative and is in addition to any other remedy given to the Master Trustee or to the holders of Obligations thereunder now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or affect any subsequent default or event of default or impair any rights or remedies consequent thereon.

Direction of Proceedings by Holders

The holders of a majority in aggregate principal amount of the Obligations then Outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the provisions of the Master Indenture as described herein under the caption “THE MASTER INDENTURE—Acceleration” and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of a majority in aggregate principal amount of the Obligations then Outstanding in the case of any other remedy, have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings thereunder; provided, that such direction is not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee has the right to decline to comply with any such request if the Master Trustee is advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith determines that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction. Pending such direction from the holders of a majority in aggregate principal amount of the Obligations Outstanding, such direction may be

given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request pursuant to the provisions of the Master Indenture described herein under “THE MASTER INDENTURE—Acceleration” the Master Trustee has accelerated the Obligations.

The foregoing notwithstanding, the holders of a majority in aggregate principal amount of the Obligations then Outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction is not otherwise than in accordance with the provisions of law and the Master Indenture.

Appointment of Receivers

Upon the occurrence of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and the holders of Obligations under the Master Indenture, the Master Trustee is entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged under the Master Indenture and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment confers.

Application of Moneys

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture relating to an “event of default” and remedies therefor (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless the principal of all the Obligations has become or been declared due and payable, all such moneys shall be applied:

FIRST, to the payment to the Persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest, and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

SECOND, to the payment to the Persons entitled thereto of the unpaid principal and premium, if any, on the Obligations which have become due (other than Obligations called for redemption or payment for which moneys are held pursuant to the provisions of the Master Indenture), in the order of the scheduled dates of their payment, and, if the amount available is not sufficient to pay in full Obligations due on any particular date, then to the payment ratably, according to the amount of principal and premium due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD, to the payment to the Persons entitled thereto of all unpaid principal and interest on Obligations, payment of which was extended by such Persons as described in the Master Indenture.

(b) If the principal of all the Obligations has become due or has been declared due and payable, all such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Obligations without preference or priority of principal, premium or interest over the others, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the Persons entitled thereto without any discrimination or privilege; provided that no amount shall be paid to any Obligation holder who has extended the time for payment of either principal or interest as described in the Master Indenture until all other principal, premium, if any, and interest owing on Obligations has been paid; and

(c) If the principal of all the Obligations has been declared due and payable, and if such declaration is thereafter rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Obligations later becomes due or is declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Master Trustee as described above, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee determines, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee applies such moneys, it shall fix the date (which shall be an interest payment date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Obligation until such Obligation is presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Rights and Remedies of Obligation Holders

No holder of any Obligation has the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has become an event of default and (a) the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable as described above under the caption “THE MASTER INDENTURE—Acceleration” and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then Outstanding in the case of any other exercise of power or (b) the holder of an Accelerable Instrument upon whose request pursuant to the provisions of the Master Indenture described herein under the caption “THE MASTER INDENTURE—Acceleration” the Master Trustee has accelerated the Obligations, has made written request to the Master Trustee and has offered it reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceeding in its own name, and unless also, in each case, such holders have offered to the Master Trustee indemnity as provided in the Master Indenture, and unless the Master Trustee thereafter fails or refuses to exercise the powers granted in the Master Indenture, or to institute such action, suit or proceeding in its own name. Nothing contained in the Master Indenture shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the

maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on each of the Obligations issued thereunder to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed.

Waiver of Events of Default

If, at any time after the principal of all Obligations has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered and before the acceleration of any Related Bond, any Member pays or deposits with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that has become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that has become due by acceleration, has been remedied, then and in every such case the holders of a majority in aggregate principal amount of all Obligations then Outstanding and the holder of each Accelerable Instrument who requested the giving of notice of acceleration, by written notice to the Obligated Group Agent and to the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment will extend to or affect any subsequent event of default, or will impair any right consequent thereon.

Rights of Liquidity Facility Provider

So long as the Liquidity Facility is outstanding and the Liquidity Facility Provider is not in default with respect to the Liquidity Facility, the Liquidity Facility Provider will be deemed the sole holder of Obligation No. 39B-1 for purposes of the Master Indenture. The Liquidity Facility Provider will have the right to consent to all amendments to the Master Indenture (but such consent right will not extend to (i) a Supplemental Master Indenture providing for the incurrence or issuance of any Obligation pursuant to such Supplemental Master Indenture and in accordance with the Master Indenture that does not otherwise amend the Master Indenture or (ii) a Supplemental Master Indenture providing for the addition or withdrawal of a Member of the Obligated Group pursuant to such Supplemental Master Indenture and in accordance with the Master Indenture that does not otherwise amend the Master Indenture). Any provisions of Supplemental Master Indenture No. 39B-1 granting rights to the Liquidity Facility Provider will be of no further force and effect if the Liquidity Facility Provider is in payment default with respect to the Liquidity Facility or if the Liquidity Facility is no longer outstanding.

So long as the Liquidity Facility is outstanding and the Liquidity Facility Provider is not in default with respect to the Liquidity Facility, the Liquidity Facility Provider will be deemed the sole holder of Obligation No. 39C-1 for purposes of the Master Indenture. The Liquidity Facility Provider will have the right to consent to all amendments to the Master Indenture (but such consent right will not extend to (i) a Supplemental Master Indenture providing for the incurrence or issuance of any Obligation pursuant to such Supplemental Master Indenture and in accordance with the Master Indenture that does not otherwise amend the Master Indenture or (ii) a Supplemental Master Indenture providing for the addition or withdrawal of a Member of the Obligated Group pursuant to such Supplemental Master Indenture and in accordance with the Master Indenture that does not otherwise amend the Master Indenture). Any provisions of Supplemental Master Indenture No. 39C-1 granting rights to the Liquidity Facility Provider will be of no further force and effect if the Liquidity Facility Provider is in payment default with respect to the Liquidity Facility or if the Liquidity Facility is no longer outstanding.

Resignation by the Master Trustee

The Master Trustee and any successor Master Trustee may at any time resign from the trusts created by the Master Indenture by giving 30 days' written notice to the Obligated Group Agent and by registered or certified mail to each registered owner of Obligations then outstanding and to each holder of Obligations as shown by the list of Obligation holders required by the Master Indenture to be kept at the office of the Master Trustee. Such resignation will take effect at the end of such 30 days or when a successor Master Trustee has been appointed and has assumed the trusts created by the Master Indenture, whichever is later, or upon the earlier appointment of a successor Master Trustee by the Obligation holders or by the Obligated Group.

Removal of the Master Trustee

The Master Trustee may be removed at any time, with or without cause, by an instrument in writing, executed by either the Obligated Group Agent or the owners of a majority in aggregate principal amount of Obligations then outstanding, and delivered to the Master Trustee; provided, that if any Related Issuer so elects, it may sign such an instrument as the owner of the Obligation or Obligations pledged to secure the Related Bonds issued by such Related Issuer.

Supplemental Master Indentures Not Requiring Consent of Obligation Holders

Subject to the limitations described under "THE MASTER INDENTURE—Supplemental Master Indentures Requiring Consent of Obligation Holders" below, the Members and the Master Trustee may, without the consent of, or notice to, any of the Obligation holders, amend or supplement the Master Indenture, for any one or more of the following purposes:

- (a) to cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holder of any Obligation;
- (b) to grant to or confer upon the Master Trustee for the benefit of the Obligation holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation holders or to surrender any right or power conferred under the Master Indenture upon any Member;
- (c) to assign and pledge under the Master Indenture any additional revenues, properties or collateral;
- (d) to evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof under the Master Indenture;
- (e) to permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;
- (f) to provide for the refunding or advance refunding of any Obligation;
- (g) to provide for the issuance of Obligations;

- (h) to reflect the addition to or withdrawal of a Member from the Obligated Group;
- (i) to provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;
- (j) to permit an Obligation to be secured by security which is not extended to all Obligation holders;
- (k) to permit the issuance of Obligations which are not in the form of a promissory note;
- (l) to modify or eliminate any of the terms of the Master Indenture; provided, however, that:
 - (i) such Supplemental Master Indenture expressly provides that any such modifications or eliminations will become effective only when there is no Obligation outstanding of any series created prior to the execution of such Supplemental Master Indenture; and
 - (ii) the Master Trustee may, in its discretion, decline to enter into any such Supplemental Master Indenture which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; and
- (m) to make any other change which, in the opinion of the Master Trustee, does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Bond Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including without limitation any modification, amendment or supplement to the Master Indenture or any indenture supplemental thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

Supplemental Master Indentures Requiring Consent of Obligation Holders

In addition to the Supplemental Master Indentures covered by the provisions described herein under “THE MASTER INDENTURE—Supplemental Master Indentures Not Requiring Consent of Obligation Holders” and subject to the terms and provisions in the Master Indenture, and not otherwise, the holders of not less than 51% in aggregate principal amount of the Obligations which are Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture or, in case less than all of the several series of Obligations are affected thereby, the holders of not less than 51% in aggregate principal amount of the Obligations of each series affected thereby which are Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture, have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as is deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of

which are required to consent to any such Supplemental Master Indenture, without the consent of the holders of all the Obligations at the time outstanding which would be affected by the action to be taken, except as otherwise permitted in the Master Indenture, or (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee.

Defeasance

If the Members pay or provide for the payment of the entire indebtedness on all Obligations (including any Obligations owned by a Member) Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations Outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Obligations, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations Outstanding; or

(d) by depositing with the Master Trustee, in trust, before maturity, Escrow Obligations in such amount as the Master Trustee determines will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations Outstanding at or before their respective maturity dates;

and if the Obligated Group also pays or causes to be paid all other sums payable under the Master Indenture by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption has been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee have been made for the giving of such notice, then and in that case (but subject to the provisions of the Master Indenture), the Master Indenture and the estate and rights granted thereunder shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon Written Request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate from the Obligated Group Agent and an opinion of Independent Counsel acceptable to the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture and the lien thereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection therewith. The foregoing notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue, but the holders thereof shall thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under the Master Indenture (other than said Escrow Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group Agent.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired.

Provision for Payment of a Particular Series of Obligations or Portion Thereof

If the Obligated Group pays or provides for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including any such Obligations owned by a Member or an Obligated Group Affiliate) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations of such series or portion thereof outstanding, as and when the same shall become due and payable;

(b) by depositing with the Master Trustee, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the direction of the Obligated Group Agent in Escrow Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof outstanding; or

(d) by depositing with the Master Trustee, in trust, Escrow Obligations in such amount as the Master Trustee determines will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if the Obligated Group also pays or causes to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption has been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee have been made for the giving of such notice, then in that case (but subject to the provisions of the Master Indenture), such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The liability of the Obligated Group in respect of such Obligations shall continue but the holders thereof shall thereafter be entitled to payment (to the exclusion of all other Obligation holders) only out of the moneys or Escrow Obligations deposited with the Master Trustee.

Satisfaction of Related Bonds

Notwithstanding the provisions described herein under “THE MASTER INDENTURE—Defeasance” and “—Provision for Payment of a Particular Series of Obligations or Portion Thereof,” any Obligation which secures a Related Bond (a) will be deemed paid and will cease to be entitled to the lien, benefit and security under the Master Indenture in the circumstances described in clause (b)(ii) of the definition of “Outstanding Obligations” described herein; and (b) will not be deemed paid and will continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond will cease to be entitled to any lien, benefit or security under the Related Bond Indenture pursuant to the provisions thereof.

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APPENDIX D

SUMMARY OF THE JOINT OPERATING AGREEMENT

General

The Joint Operating Agreement was entered into among the University of Colorado Hospital Authority (the “Authority”), Poudre Valley Health Care, Inc. (“Poudre Valley”) and University of Colorado Health (“UCHealth”) on January 31, 2012, and became effective on July 1, 2012 (the “Effective Date”). UCHealth is a Colorado nonprofit membership corporation, formed by its two members, the Authority and Poudre Valley (the “Members”).

A brief description of the Joint Operating Agreement is included in this Appendix D. Such description does not purport to be comprehensive or definitive. All references herein to the Joint Operating Agreement are qualified in their entirety by reference to such document, copies of which are available for inspection at the principal office of the Bond Trustee.

Pursuant to the Joint Operating Agreement the Members retain their separate corporate existence and boards of directors and continue to be the licensed operators of their respective facilities. The Members have their own internal processes, consistent with the Joint Operating Agreement, to exercise the powers reserved to them as described below. The Authority is the sole employer of System employees. The medical staffs of the Authority and Poudre Valley remain separate and continue to be governed by their respective medical staff bylaws, as amended from time to time.

The Board of Directors of UCHealth (the “UCHealth Board”) approves the overall organizational, management and reporting structure of UCHealth. The UCHealth Board also approves, after consultation with the PVH System board of directors and/or the Authority board of directors, as applicable, the management and reporting structure within such Member and for decision-making and reporting up from each such Member to UCHealth.

The Joint Operating Agreement is subject to the statutory rights of the University of Colorado with respect to the Authority and its assets. The University of Colorado has additional rights to appoint Directors to the UCHealth Board (see “Board of Directors” below) and to enforce the Affiliation Agreement (defined below). The District has the right to enforce the District Lease (defined below).

Assets of the Parties

Each Member continues to own its Legacy Assets, which include (i) all property, plant and equipment owned or leased by such Member as of the Effective Date or identified in the Joint Operating Agreement as expected to be acquired or constructed by such Member after the Effective Date, and all improvements, replacements or additions thereto, and ownership interests in certain existing subsidiaries and controlled affiliates identified in the Joint Operating Agreement (collectively, the “Effective Date Legacy Assets”), and (ii) any other tangible assets that are acquired and owned by a Member.

If at any time there is a compelling rationale to transfer any Legacy Assets, such Legacy Assets may be transferred at the direction of the UCHealth Board; provided, if the Legacy Assets to be transferred are valued, individually or in the aggregate, at more than \$5 million, then such transfer must be approved by three-quarters vote of the Directors of the UCHealth Board then in office. Any transfer of Effective Date Legacy Assets of a Member requires the prior consent of such Member’s board of directors. Notwithstanding the foregoing, such three-quarters approval of the UCHealth Board and any

applicable Member consent will not be required if the transfer is for disposition of a Member's obsolete equipment or facilities which are to be promptly replaced by functionally equivalent or better equipment or facilities.

UCHealth governs the use of the Legacy Assets (including Effective Date Legacy Assets) and the System Assets, subject to the terms of the Joint Operating Agreement. The System Assets are all assets (i) acquired or financed by UCHealth after the Effective Date and owned, held, or operated directly by UCHealth, or (ii) owned by or titled in the name of UCHealth but used by or for the benefit of the Members.

Financial Matters

The basic economic premise of UCHealth is that the Authority and Poudre Valley operate together as a single economic entity, jointly determining optimal capital allocation, pooling revenues, expenses and net operating performance, and generating one "bottom line." UCHealth decisions are made to benefit the System as a whole and to respond to needs in all of the communities it serves. UCHealth is required to ensure that the Authority and Poudre Valley fulfill their lawfully enforceable obligations (including financial obligations) under the Critical Contracts. The expenses of UCHealth are allocated to the Members.

The Critical Contracts are the District Lease (see "SYSTEM OPERATING INFORMATION—North Region Facilities and Operations—*District Lease*" in Appendix A), the Fitzsimons Ground Lease and the Affiliation Agreement (see "SYSTEM OPERATING INFORMATION—Central (Metropolitan Denver) Region Facilities and Operations—*Principal Agreements with the Regents*" in Appendix A), the Act (see "UCHEALTH AND THE OBLIGATED GROUP—The System" in Appendix A), the Master Indenture and other agreements relating to outstanding bonds of the Authority.

A Member and its subsidiaries and affiliates may only withdraw from the Obligated Group after fulfillment of (i) the conditions to withdrawal set forth under the master trust indenture and related financial instruments, and (ii) compliance with the requirements and conditions set forth in the Joint Operating Agreement for distribution of assets upon termination and the financial effect of termination.

Board of Directors

The UCHealth Board is responsible for overseeing the business and affairs of UCHealth and its Members, except as limited by (i) the Articles of Incorporation, bylaws or any other governing documents of UCHealth, (ii) the reserved powers of Poudre Valley and the Authority (see "Reserved Powers" below), (iii) the powers of University of Colorado acknowledged in the Joint Operating Agreement, and (iv) the powers of the Health District of Northern Larimer County (the "District") acknowledged in the Joint Operating Agreement. Action of the UCHealth Board requires the affirmative vote of a majority of Directors present at a duly called meeting at which a quorum is present, except where by law or as specified in the bylaws or the Joint Operating Agreement such action requires the affirmative vote of a greater number of the Directors. A quorum consists of a majority of the Directors then holding office.

The UCHealth Board during the Initial Period ended on July 1, 2015, was comprised of 11 Directors chosen as follows: four Directors designated by Poudre Valley; four Directors designated by the Authority; two Directors designated by the President of the University of Colorado chosen from the Dean of the School of Medicine, the University of Colorado's highest ranking executive of the Anschutz Medical Campus, or the President of the University of Colorado (the "University of Colorado Direct Appointees"); and the CEO of UCHealth. Each such Director serves on the UCHealth Board during the

Initial Period and until his or her respective successor is duly elected and qualified in accordance with the bylaws and the Joint Operating Agreement.

Two Directors will continue at all times to be University of Colorado Direct Appointees, the UCHealth CEO will at all times be a Director, serving *ex officio* in a voting capacity, and the remaining eight Directors will be selected as described below, for staggered terms, the greatest of which will extend for four years, with annual selection being divided equally between “Appointed Directors” and “Elected Directors.” The “Appointed Directors” shall be appointed by the University of Colorado Board of Regents after having been recommended by the President of the University of Colorado, after consultation with the UCHealth Board and affirmative vote of at least three-quarters of the total Directors then in office. The “Elected Directors” will be elected by three-quarters vote of the total Directors then in office. The Chair will be elected by vote of at least two-thirds of the Directors then in office. The term of each Appointed Director and Elected Director shall be for four year. Directors may be elected or appointed for successive terms; provided, that no Director may serve for more than twelve consecutive years without retiring from the UCHealth Board for at least two years.

If a new Member is added to UCHealth and becomes a party to the Joint Operating Agreement, the University of Colorado’s right to appoint Directors on the UCHealth Board shall at all times be not less than as described in the preceding paragraph.

Actions requiring more than a majority vote of the Directors include approval of termination of any material service or closing of any material facility of UCHealth, Poudre Valley or the Authority; approval of the pledge of, or grant of a security interest in, any material assets of UCHealth, Poudre Valley or the Authority; approval of any proposed amendment to the Articles of Incorporation, bylaws or other governing documents of UCHealth; approval of the addition of any new Member of UCHealth or party to the Joint Operating Agreement; approval of any amendment to or termination of the Joint Operating Agreement; approval of the incurrence of material indebtedness of UCHealth, Poudre Valley or the Authority; approval of the filing of any petition for bankruptcy, reorganization or similar actions or a plan of dissolution by UCHealth, Poudre Valley or the Authority; and approval of the termination of, or any material amendment to, any Critical Contract (as defined above).

The bylaws create various committees of the UCHealth Board charged with responsibility of general supervision over specific areas of concern. Any Member or the University of Colorado may require the removal of a Director appointed by that Member or the University of Colorado, but only for malfeasance in office, failure regularly to attend meetings, or for any cause which renders the Director incapable of or unfit to discharge the duties of a Director (“Good Cause”). Following the Initial Period, any Director may be removed for Good Cause by the affirmative vote of at least three-quarters of the Directors then in office.

Reserved Powers

The following powers and actions are reserved to the PVH System Board (unless waived by Poudre Valley): (i) continued ownership and possession by Poudre Valley (and its affiliates) of legal title to Legacy Assets of Poudre Valley, except with respect to transfer of Legacy Assets as described under “Assets of the Parties” above; (ii) designation of individuals to the UCHealth Board during the Initial Period, with exclusive power to remove and replace those individuals for good cause, (iii) approval of a community service plan, if needed, for the PVH System service area; (iv) the right to be meaningfully consulted on appointment or removal of the UCHealth CEO or any PVH System hospital chief executive officer; (v) the right to make recommendations to the UCHealth Board as to capital and operating budgets and strategic plans for the PVH System, (vi) approval of any amendment to the Joint Operating Agreement (including an amendment to effect the addition of any new Member), except as necessary to

ensure ongoing compliance with law, which approval shall not be unreasonably withheld; (vii) approval, following approval by the UCHealth Board, of any amendment to the bylaws, Articles of Incorporation or any other governing document of UCHealth, except as needed to comply with law, which approval shall not be unreasonably withheld; (viii) the right to require compliance with the terms of any contract between Poudre Valley and its affiliates, and the District, including the District Lease; and (ix) approval of any termination of the Joint Operating Agreement effected in accordance with the terms thereof.

The following powers and actions are reserved to the Authority Board (unless waived by the Authority): (i) continued ownership and possession by the Authority (and its affiliates) of legal title to Legacy Assets of the Authority, except with respect to transfer of Legacy Assets as described under “Assets of the Parties” above; (ii) the right to maintain an Authority Board in conformity with the applicable Colorado statutes; (iii) authority to require that all statutory obligations of the Authority be fulfilled; (iv) designation of individuals to the UCHealth Board during the Initial Period, with exclusive power to remove and replace those individuals for good cause, (v) approval of a community service plan, if needed, for the Authority service area; (vi) the right to be meaningfully consulted on appointment or removal of the UCHealth CEO or the chief executive officer of University of Colorado Hospital; (vii) the right to make recommendations to the UCHealth Board as to capital and operating budgets and strategic plans for the Authority; (viii) approval of any amendment to the Joint Operating Agreement (including an amendment to effect the addition of any new Member), except as necessary to ensure ongoing compliance with law, which approval shall not be unreasonably withheld; (ix) approval, following approval by the UCHealth Board, of any amendment to the bylaws, Articles of Incorporation or any other governing document of UCHealth, except as needed to comply with law, which approval shall not be unreasonably withheld; (x) approval of any termination of, or modification to, the Academic Affiliation Agreement; and (xi) approval of any termination of the Joint Operating Agreement effected in accordance with the terms thereof.

Term

The Joint Operating Agreement has a term of 50 years from the Effective Date. On or before two years prior to the scheduled expiration of the Joint Operating Agreement, each Member must elect to renew or extend the term of the agreement or depart from UCHealth upon the expiration of the term.

Termination

The Joint Operating Agreement may be terminated as follows: (i) by mutual agreement of the parties; (ii) by a Member, prior to the first anniversary of the Effective Date, in the event of a breach that has caused or is likely to cause liability, loss or damage to such Member or UCHealth greater than \$25 million; (iii) by a Member for a material breach causing material harm, including fraud, material violations of the terms of the agreement, persistent and material noncompliance with valid determinations of the UCHealth Board, or decisions, actions or omissions of UCHealth or another Member that a Member believes are manifestly likely to cause, or have caused, a Member to violate materially the terms of any of the Critical Contracts; (iv) upon the unsuccessful conclusion of the dispute resolution process set forth in the Joint Operating Agreement; (v) if UCHealth has not received its 501(c)(3) determination by September 1, 2012, unless otherwise agreed by the parties (such determination has been received); (vi) failure to complete certain debt transactions contemplated in the agreement; or (vii) with respect to Poudre Valley, if the District Lease expires or terminates such that all or a material part of the facilities leased thereunder are no longer subject to management and operation by UCHealth, and with respect to the Authority, if the Fitzsimons Ground Lease expires or terminates such that all or a material part of the facilities leased thereunder are no longer subject to management and operation by UCHealth.

In the event of any termination of the Joint Operating Agreement by a Member, the non-terminating Member has the right to either (i) continue to operate UCHealth, subject to the distribution of assets to the terminating Member as described below, or (ii) elect to cause a full dissolution of UCHealth.

Distribution of Assets Upon Termination

Upon a valid termination of the Joint Operating Agreement or a Member's interest therein, the assets of the Members and UCHealth will be allocable to and distributed to the Members as described below.

Legacy Assets. Each Member will have the right to retain or receive Legacy Assets then owned by such Member or that were transferred to UCHealth or another Member, to the extent such assets were not sold or transferred to a third party. In addition, each Member will have the right to retain or receive customary working capital necessary to operate such Legacy Assets. Such Member will be required to assume the debt and liabilities allocated to its Legacy Assets.

Functionally Related Assets. A Member will have the right to acquire, at fair market value, from UCHealth or other Members property, plant and equipment, interests in joint ventures or other entities, and other assets owned or acquired by such Member, UCHealth or another Member after the Effective Date that are located on or functionally related primarily to such Member's campus. Such Member will be required to assume the debt and liabilities allocated to its Functionally Related Assets.

Remaining Health System Assets. In the event of a termination not involving a dissolution of UCHealth, the departing Member is entitled to a portion of the value of the remaining assets of UCHealth (not including Legacy Assets and Functionally Related Assets acquired by such Member) equal to such Member's Share of Remaining System Assets determined in accordance with the formula set forth in the Joint Operating Agreement by an independent accountant selected by UCHealth. The distribution of such assets may be in cash, physical assets, by delivery of a subordinated note or other commercially reasonable arrangements.

Final Health System Assets. In the event of a termination involving a dissolution of UCHealth, each Member will be entitled to receive a portion of such remaining UCHealth assets not otherwise distributed as described above (the "Final Health System Assets") equal to such Member's Percentage Interest divided by the aggregate Percentage Interest of all Members, multiplied by the value of such Final Health System Assets. A Member's Percentage Interest means a fraction, the numerator of which is the total assets on the current balance sheet of such Member, and the denominator of which is the aggregate total net assets on the current balance sheets of each Member and UCHealth, collectively (but without duplication).

In the event of a termination involving a dissolution of UCHealth, each Member will have the right to propose to purchase or acquire via a buy/sell process other UCHealth assets, whether physical assets or interests in entities or joint ventures. Upon termination, all long-term indebtedness will be deemed allocable to all Members' facilities on a fair and proportionate basis, and other liabilities will be allocated to Members in accordance with fair and prudent business practices consistently applied.

A Member's right to terminate under the Joint Operating Agreement and its right to receive a distribution of assets on termination are subject to: (i) the Member's termination being achievable without violating the obligations of the Members and UCHealth under their applicable master trust indentures; the withdrawal of UCHealth and the other Members from the debt instruments of the departing Member and the withdrawal of the departing Member from the debt instruments of UCHealth

and the other Members; and (ii) the ability of UCHealth and the departing Member (or of each Member, in the event of a dissolution of UCHealth), using commercially reasonable efforts, to meet the financial ratios under the applicable master trust indentures of the Members or UCHealth, if any, immediately after the withdrawal of the departing Member or dissolution of UCHealth.

APPENDIX E

SUMMARY OF THE MHS LEASE

General

The MHS Lease was entered into by the City, UCH-MHS and Poudre Valley (the “Lessee”) on July 2, 2012 (the “Execution Date”), and became effective on October 1, 2012 (the “Effective Date”).

A brief description of the MHS Lease is included in this Appendix E. Such description does not purport to be comprehensive or definitive. All references herein to the MHS Lease are qualified in their entirety by reference to such document, copies of which are available for inspection at the principal office of the Bond Trustee.

Pursuant to the MHS Lease the City leased the MHS Facilities and transferred, conveyed and assigned the Acquired Assets and the Assumed Liabilities of the City to the Lessee (other than the Excluded Assets and the Excluded Liabilities), subject to certain permitted restrictions (as such terms are defined below).

Lease Payments

On the Effective Date the Lessee paid the City an amount equal to \$259 million. During the Term, commencing on the first day of the calendar month following the Effective Date until the 30th anniversary of the Effective Date, the Lessee will pay to the City a fixed monthly payment of \$467,676.

If in any fiscal year during the Term the Operating EBITDA margin of MHS exceeds a baseline annual margin of 8%, the Lessee must make a payment to the City equal to 5% of the incremental Operating EBITDA over such 8% base margin. Operating EBITDA is calculated as follows: (i) net patient revenues (including contractual adjustments, allowances and bad debt) and other operating revenues, less (ii) operating expenses (including salaries and wages, benefits, supplies, drugs, bad debt expense, physician fees, contract services, repairs and maintenance, insurance, utilities and other operating expenses), but operating expenses specifically exclude interest expense, taxes, depreciation and amortization.

The Authority has guaranteed the payment obligations of the Lessee under the MHS Lease.

The City has agreed to use reasonable efforts to resolve any liability of MHS relating to the Colorado Public Employees’ Retirement Association (“PERA”), including any withdrawal or termination liability resulting from the Transactions (the “PERA Liability”), in a manner that does not result in any liability or other obligation of the Lessee, UCHHealth, Children’s Hospital or their affiliates, and between the parties the City has agreed that the Lessee, UCHHealth, Children’s Hospital and their affiliates will have no direct, indirect, residual or other liability with respect to or related to the PERA Liability and has unconditionally released them from any claims related to the PERA Liability.

Capital Improvements

During the Term, the Lessee is required to spend an annual average of \$28 million for (i) capital improvements, (ii) expenses that may be depreciated over a period of longer than one year, and (iii) capitalized program investments and initiatives at the MHS Facilities and Expansions (defined below), including capitalized interest on indebtedness incurred to finance such improvements.

Net Lease

Except as otherwise provided in the MHS Lease, all rent and other amounts payable by the Lessee are absolutely net to the City, so that the MHS Lease will yield net to the City the rent and other amounts payable by the Lessee during the Term of the MHS Lease. Therefore, except as set forth in the MHS Lease, all costs, expenses and obligations relating to the MHS Facilities, Expansions and any improvements or property thereon or associated therewith, which may arise or become due during the Term, will be paid by the Lessee, including all costs and expenses of ownership, maintenance, repair and operation.

MHS Facilities

The MHS Facilities generally consist of (i) the real property, hospital and other patient facilities, physician office buildings, physician offices, sites of health care delivery and ancillary medical services and associated administrative support services, utility or related space or property that were owned by the City and used for MHS operations (including the MHS hospitals) as of the Effective Date (the “Owned Real Property”); (ii) the real property and improvements not owned by the City but used in connection with MHS operations as of the Effective Date, as provided in any license, lease, sublease, occupancy agreement or like instrument (the “Leased Real Property”, and together with the Owned Real Property, the “Real Property”); and (iii) all construction in progress and all rights appurtenant or incident to or to the extent otherwise affecting any Owned Real Property or Leased Real Property on the Effective Date.

Acquired Assets and Excluded Assets

The Acquired Assets consisted of assets which were owned or used by the City or MHS as of the Effective Date and which related to the MHS operations, including leases to which the City or MHS was the landlord party with respect to the MHS Facilities (collectively with the leases of Leased Real Property, the “Leases”) and contracts, except for the Excluded Contracts (collectively with the Leases, the “Assumed Contracts”), but not including the MHS Facilities and the Excluded Assets. The Acquired Assets also included all accounts, notes, obligations, interest and other receivables owed to or for the benefit of the City or MHS which related to MHS operations (the “Accounts Receivable”), whether existing on or after the Effective Date, whether payable by patients, private insurance, third party payors, governmental entities or by any other source. Any services identified by the City as Shared Services (services relating to both the MHS operations and other activities of the City) are made available to the Lessee for the remainder of the term of each contract for such Shared Services, or if there is no such contract, then for a period up to three years, as requested by the Lessee.

The Excluded Assets consisted only of the following: taxpayer identification numbers granted to the City or MHS; assets owned by vendors of goods or services to the City or MHS for MHS operations; the portions of inventory, prepaid expenses and other assets disposed of, expended or cancelled by the City or MHS prior to the Effective Date in the ordinary course of business; all rights of the City under the MHS Lease, the Integration Agreement and the other agreements delivered to the City by Lessee in connection with the transactions contemplated by such agreements (the “Transactions”); donor-restricted funds, endowments or trusts if the Transactions are contrary to the donor’s intent; the excluded names, including the name “City of Colorado Springs”; any other asset identified in the MHS Lease, including assets which constitute Shared Services or are part of any MHS ancillary businesses that the Lessee did not assume; any contracts the Lessee did not assume (the “Excluded Contracts”); the MHS Cash Balance; cash, cash equivalents and investments owned by or held for the City or MHS which relate to MHS operations to the extent not reflected in the calculation of the final net working capital amount paid on the Effective Date; and any real property owned, leased or operated by the City other than the MHS Facilities.

Assumed Liabilities and Excluded Liabilities

As of the Effective Date, the Lessee generally assumed and will pay or discharge when due, the claims, obligations and liabilities of the MHS operation, including under the terms of any Assumed Contract (the “Assumed Liabilities”), but excluding any (i) Excluded Liabilities, (ii) liability arising from or relating to a breach of any representation, warranty, covenant or agreement of the City or MHS contained in the Lease to the extent such breach would give rise to an indemnity payment of the City, (iii) liability or obligation to the extent covered or reimbursed by insurance carried by the City and that was not assigned to the Lessee, or (iv) liability barred by the applicable statute of limitations.

The Excluded Liabilities include: any liability arising from or relating to any Excluded Asset, including any Excluded Contracts; any liability to the extent arising from or relating to any act or omission by the City after the Effective Date; any liability with respect to MHS employees under PERA, including the PERA Liability; any liability to make any bonus, severance or other payments to any MHS employee as a result of the consummation of the Transactions to the extent occurring on or prior to the Effective Date; any obligation related to the MHS Debt and any other debt secured by the MHS Facilities or the Acquired Assets which was to be satisfied on or prior to the Effective Date by the City; any liability under any law, rule, regulation, interpretation or ordinance with respect to MHS operations caused by, relating to or arising from the fraud, false claims or criminal acts or omissions of the City or MHS to the extent the same occur or relate to circumstances existing prior to the Effective Date, including any liabilities or obligations for fraud, False Claims Act violations, violations of the Stark or anti-kickback laws, or false or non-compliant coding, charging or billing or collections procedures; any encumbrances which are not permitted restrictions under the MHS Lease and which were not otherwise expressly assumed by the Lessee; any liability under environmental law to the extent arising out of facts, circumstances or conditions on, in, under or from the MHS Facilities or related to the MHS operations existing, initiated or occurring prior to the Effective Date, other than liabilities or obligations under environmental law to the extent arising out of (i) facts circumstances or conditions (A) initiated prior to the Effective Date and (B) exacerbated by Lessee’s intentional acts or intentional omissions; (ii) asbestos-containing materials in the MHS Facilities that were managed in compliance with Environmental Law prior to the Effective Date; or (iii) other hazardous materials or conditions identified in the MHS Lease; any civil liability accruing, arising out of, or relating to any claims brought against Lessee regarding any act or omission which relates to the MHS operations, or of any person acting as agent of the City or MHS, claimed to violate any constitutional provision, statute, ordinance or other law, rule, regulation, interpretation or order of any governmental entity or any third party payor contract, to the extent such act or omission occurred prior to the Effective Date and relating to reimbursement to MHS from a Government Program or third party payor program; all obligations and liabilities arising under claims or potential claims for medical malpractice or general liability relating to events asserted to have occurred prior to the Effective Date with respect to MHS operations to the extent not covered by insurance; any liability arising out of or relating to a Shared Service to the extent that such Shared Service remains an asset of or service provided by the City; and any other liability set forth in the MHS Lease.

Assignment to UCH-MHS

In accordance with the terms of the MHS Lease, the MHS Lease has been assigned and MHS operations have been transferred to UCH-MHS. UCH-MHS must at all times remain a wholly-owned subsidiary of any of UCHA, UCHealth or their affiliates.

Assignment and Subleasing; Restrictions on Sales

The Lessee has the right to assign or sublet its interest in the MHS Facilities on an ongoing basis without the consent of the City provided that (a) such assignments or subleases are in compliance with

any then-existing Leases; (b) such assignments or subleases are consistent with the Lessee's operations of MHS as contemplated in the MHS Lease, (c) such assignments or subleases do not violate any restrictions imposed by any tax-exempt financing, (d) the Lessee (or Children's Hospital) shall at all times remain the licensed operator of the MHS hospitals, and (e) no such assignments or subleases extend beyond the Term. The Lessee is expressly permitted during the Term to sublease to Children's Hospital such portion of the MHS Facilities as are determined by the Lessee and Children's Hospital to be necessary and useful for Children's Hospital to operate a children's hospital at the MHS Facilities. In the event the Lessee assigns or subleases all or any part of its rights and obligations under the MHS Lease, including the Children's sublease, the Lessee will continue to be liable to the City for the performance of all obligations and duties which are the responsibility of the Lessee under the terms thereof and the Lessee must impose such restrictions and obligations upon such assignee or sublessee as are consistent with the provisions of the MHS Lease.

The Lessee may not take any of the following actions without the prior consent of the City if such actions will result in the Lessee's inability to materially fulfill its obligations under the MHS Lease: sell, lease, sublease, assign, transfer or other dispose of all or substantially all of its assets in one or more transactions or a series of related transactions; close or change the acute care hospital status of any of the MHS hospitals; or enter into a merger, consolidation or direct or indirect change of control (including in connection with the issuance or sale of membership interests) pursuant to which a person other than UCHHealth becomes the sole member of, or holds more than a majority of the membership interests in, the Lessee (subject to assignments otherwise permitted under the MHS Lease). Except in connection with a transaction permitted in the preceding sentence, the Lessee may not transfer all or substantially all of the management or operations of either of the MHS hospitals to anyone, except an entity in which UCHHealth, the Authority, Poudre Valley or UCH-MHS has the same or greater level of ownership and control in comparison to every other member of the entity.

Notwithstanding the foregoing, the following transactions will not be subject to the approval requirements of the City or any vote or approval of the registered electors of the City: any transaction involving the admission of new members or other participants in UCHHealth; any internal restructuring or reorganization of UCHHealth, any transaction in which the Authority is a principal participant, and the surviving entity that owns or controls the Lessee remains a nonprofit, academically-affiliated entity; any assignment of the MHS Lease to UCH-MHS or any subsequent assignment and transfer to UCHHealth or its members or affiliates; or any sublease or assignment of a portion of the Lessee's interest in the MHS Facilities as permitted under the first paragraph under this caption "—Assignment and Subleasing; Restrictions on Sales."

The MHS Lease is not otherwise assignable without the consent of the other party thereto, provided that (i) the Lessee may assign its rights, interests and obligations under the MHS Lease to UCHHealth or to a wholly-owned affiliate, (ii) the Lessee may assign and sublet its interests as described above, and (iii) the City may transfer all or any portion of the MHS Facilities as described under "—Transfer of City Rights" below if the MHS Lease is assigned in connection with such transfer and the transferee assumes the City's rights and obligations under the MHS Lease.

Covenants of the Lessee

The MHS Lease also contains covenants regarding compliance with laws; operating standards; provision of certain reports; preservation and access to records; access to information; maintenance; payment of taxes, other governmental charges and utility charges; insurance; and encumbrances. The Lessee may not mortgage its interest in the MHS Facilities, but it has the right to pledge, encumber, borrow against and otherwise financially deal in the revenues of the MHS Facilities.

Covenants of the City

The City has covenanted in the MHS Lease not to impose certain taxes, restrictions and burdens on the Lessee and not to exercise any rights of condemnation or powers of eminent domain with respect to MHS. The City has agreed to fund its indemnity obligations under the Lease, by either (i) creating a foundation which will execute a guaranty to the Lessee secured by an account maintained by the foundation in the amount of \$50 million until the third anniversary of the Effective Date, and at least \$25 million until the fifth anniversary of the Effective Date, or (ii) funding an escrow account in the same amounts. The amounts required to be maintained above will be reduced to the extent of any amounts distributed to the Lessee. The City has also made certain covenants regarding the Lessee's use of certain controlled substance permits, cost reports relating to MHS and tail insurance covering prior acts and occurrences.

Transfer of City Rights

During the Term, in the event that the City receives an offer from a third party to purchase, and/or determines that it is in the best interests of the City to sell, its interest in all or part of the MHS Facilities, the Lessee has a right of first offer or right of first refusal with respect to such sale. Any sale or encumbrance of the City's interest in all or part of the MHS Facilities during the Term is subject to the requirements and limitations contained in the MHS Lease, including that the City may not transfer or encumber its interest in the MHS Facilities without the prior written consent of the Lessee and in no event may the City transfer or encumber its interest in the MHS Facilities to any hospital or health care company or system (other than Lessee, UCHealth and their affiliates). The City may in certain circumstances pledge, encumber, transfer or collaterally assign all or any part of its interest in the MHS Facilities solely to securitize and finance the Owned Real Property with a financial or lending institution or investment company.

Operation, Modification, Expansion and Disposition of MHS Facilities

The Lessee has agreed that it will integrate the MHS operations that are not subleased to Children's Hospital into UCHealth with the larger programs and management systems of UCHealth, and the City has agreed to reasonably cooperate in ensuring that such MHS operations are integrated into UCHealth, in each case consistent with UCHealth's overall policies and practices. Accordingly, except as otherwise specifically provided in the MHS Lease, the Lessee has the right to manage, operate, maintain, reconfigure, and renovate the MHS Facilities, and to buy, sell, lease, exchange, dispose of or otherwise deal in equipment therein, and to manage and operate MHS programs and services, consistent with the operating standard set forth in the MHS Lease.

The Lessee may, at its own expense and in its sole discretion, acquire any real property, or rights to use or occupy real property, as well as acquire, construct, effect or install any addition, improvement, alteration, on-site replacement, enlargement, expansion, modification, improvement or change in, on or to the MHS Facilities as it deems necessary or appropriate for its purposes. Each such acquisition or expansion that is located on the MHS Facilities or within a ten mile radius of either of the MHS hospitals and relates to the provision of inpatient, outpatient and supportive services that MHS provides as of the Execution Date or would reasonably be expected to expand to provide during the Term is referred to as an "Expansion." Any Expansions other than as set forth below will be considered part of the MHS Facilities and will be subject to conveyance to, and repurchase by, the City upon termination of the MHS Lease. Expansions will not include any facilities or properties of (i) the Lessee, UCHealth, Children's Hospital or their affiliates that are not directly related to MHS or not of the type of services that are at such time provided by a preponderance of Colorado hospitals of similar size and type as the MHS Facilities, (ii) any future member or participant in UCHealth or Children's Hospital to the extent such facilities or activities

existed at the time such person joined or affiliated with UCHHealth or Children's Hospital, respectively, or (iii) any activities or sites of Children's Hospital located in the City as of the Effective Date, including all expansions, additions, modifications and/or relocations of such pre-existing activities and sites.

The Lessee may sell or otherwise dispose of all or a portion of the MHS Facilities and have such portion of the MHS Facilities released from the MHS Lease, provided the Lessee receives approval from the City prior to the effective date of such sale or disposal.

Damage and Destruction

If the MHS Facilities are destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss under the casualty insurance policies resulting from such destruction or damage is \$500,000 or more, the Lessee shall use the proceeds of insurance resulting from such claims to promptly repair, rebuild or restore the property damaged or destroyed to substantially the same value and condition as it existed prior to such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee. In the event such proceeds are not sufficient to pay in full the costs of such repair, rebuilding or restoration, the Lessee will nonetheless complete the work thereof and will pay any costs thereof in excess of the amount of such proceeds.

Condemnation

Unless the Lessee has exercised its option to terminate the MHS Lease as described under "— Termination" below, in the event that title to, or the temporary use of, the MHS Facilities or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental entity, the Lessee shall, in the event the proceeds from any award in such eminent domain proceedings are \$500,000 or more, apply such proceeds in one or more of the following ways: (i) to the restoration of the MHS Facilities to substantially the same value and condition as they existed prior to such condemnation; or (ii) to the acquisition, by construction or otherwise, of other improvements suitable for operation as part of a general acute care hospital system with such improvements, together with the remaining MHS Facilities after eminent domain, to be of substantially the same value as the MHS Facilities prior to the taking. In the event such proceeds are insufficient to restore, acquire or construct improvements of substantially the same value as the MHS Facilities prior to the taking, the Lessee shall nonetheless complete the work thereof and will pay any costs thereof in excess of such proceeds. In the event of a termination of the Lease due to condemnation, the parties have agreed to cooperate in allocating the proceeds of any condemnation award or portion thereof in proportion to each party's actual damages resulting therefrom.

Term

The term of the MHS Lease commenced on the Effective Date and, subject to the provisions of the MHS Lease (including the termination provisions), will expire on the day before the 40th anniversary of the Effective Date (the "Term"), subject to extension. Commencing on or about the ninth anniversary of the Effective Date, the parties have agreed to discuss and negotiate in good faith whether to extend the then existing Term for an additional one year term to be automatically added to the Term on each anniversary of the Effective Date, commencing on the tenth anniversary of the Effective Date (the "Extension Term"). If so agreed in year nine, then each such extension will become part of the Term. If the parties agree to the Extension Term, then commencing on the 40th anniversary of the Effective Date, all then-outstanding payment and spending obligations payable by the Lessee under the MHS Lease will cease and be replaced for the remainder of the Term with an annual payment reflecting fair market ground lease rent as determined by an independent nationally recognized expert in the industry jointly selected and engaged by the parties at least twelve months in advance of the 40th anniversary of the Effective

Date. In such event, the Lessee will continue to make capital expenditures during the Extension Term with respect to the MHS Facilities in an amount sufficient to maintain such facilities at a level consistent with prudent hospital management practices for operators of hospitals in like circumstances, as determined by the Lessee in its reasonable discretion, which will not require the level of expenditures required of the Lessee during the initial term. The City may elect to terminate the Extension Term in its sole discretion, and in such event, the Extension Term will terminate on the 31st anniversary of the commencement of the next annual term of the Lease following the City's notice of its election to terminate the Extension Term. Except as described herein, the MHS Lease may not be terminated by either party prior to the end of the Term without the written consent of the other party.

Termination

The MHS Lease will terminate (i) by mutual written agreement of the parties, in their respective sole and absolute discretion; (ii) at the option of the Lessee upon the occurrence of (A) an uncured Event of Major City Default (defined below), (B) an Event of Non-Viability (any event or circumstance which materially and adversely affects the Lessee's ability to conduct the business of the MHS Facilities in compliance with the MHS Lease as a viable business enterprise, taken as a whole, over a multi-year period, due to demographic changes, long-term changes in the local economy or declining demand for medical services or similar factors), or (C) a material portion of the MHS Facilities is taken under the exercise of the power of eminent domain by any governmental entity (other than the City) such that the Lessee cannot, within six months of such taking, restore, acquire or construct improvements, using commercially reasonable diligence efforts, to a condition that permits the Lessee to operate the MHS Facilities in accordance with the MHS Lease and the Integration Agreement and sound financial and hospital management standards, as the Lessee shall determine in its sole reasonable discretion; and (iii) at the option of the City upon an uncured Event of Major Lessee Default (defined below).

Events of Default

An "Event of Major Lessee Default" means: (i) failure by the Lessee to make any payments required under the MHS Lease when due, provided the Lessee has 60 days to pay all accrued payments under the MHS Lease after written notice is delivered of such non-payment by the City (or, if such payments are the subject of an arbitration proceeding or a dispute, in which case the payments are not deemed to be due until 30 days following a final resolution of such proceedings), and such payment shall cure any such payment default; (ii) the Lessee admits insolvency or bankruptcy or its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for any portion of the MHS Facilities, the Acquired Assets or the MHS operations, including any material Expansions, or if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Lessee (other than bankruptcy proceedings instituted by the Lessee against third parties), and if instituted against the Lessee are allowed against the Lessee or are consented to or are not dismissed, stayed or otherwise nullified within 90 days after such institution; (iii) the Lessee materially breaches the covenants, conditions or agreements on its part to be observed or performed under certain provisions of the Integration and Affiliation Agreement (described below), which breach remains uncured for a period of 90 days after written notice from the City specifying such failure and requesting that it be remedied, provided, however, that if the nature of the failure is such that more than 90 days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such 90 day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the Lessee shall immediately after written notice commence and, with diligence thereafter, cure such failure (any termination as a result of a default described in this subsection (iii) shall be subject to the dispute resolution process and conditions to termination set forth in the Integration

Agreement); (iv) the Lessee fails to maintain the licensure of each of the MHS hospitals (or any relocations thereof, if then applicable) that it is obligated to operate under the MHS Lease and under the Integration Agreement by the Colorado Department of Public Health and Environment, which breach remains uncured for a period of 90 days after written notice from the City specifying such failure and requesting that it be remedied; provided, however, that if the nature of the failure is such that more than 90 days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such 90 day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the Lessee shall immediately after written notice commence and, with diligence thereafter, cure such failure.

Simultaneously with the execution and delivery of the MHS Lease, the parties executed and delivered an Integration and Affiliation Agreement. The provisions of the Integration Agreement which may result in an Event of Major Lessee Default include (i) failure of the Lessee to preserve the legacy, identity and brand of the names “Memorial Hospital” or “Memorial Health System,” (ii) failure of the Lessee or UCHealth to be an organization described in Section 501(c)(3) of the Internal Revenue Code, (iii) failure of UCHealth to be affiliated with an academic institution of higher learning, and (iv), subject to the conditions and limitations set forth in the Integration Agreement, failure of the Lessee to be a participating provider under the Medicare, Medicaid, Colorado Indigent Care and TRICARE programs.

If the Lessee fails to materially perform, comply with, or observe any agreement or obligation of the Lessee under the MHS Lease and/or the Integration Agreement that is other than an Event of Major Lessee Default, and such failure continues for a period of more than 90 days after the City has delivered to the Lessee written notice thereof, the City shall have the remedies set forth below with respect to an Event of Non-Major Lessee Default; provided, however, that if the nature of the failure is such that more than 90 days are reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within such 90 day period and thereafter diligently pursues such cure to completion.

An “Event of Major City Default” means the City shall have materially breached certain covenants in the MHS Lease regarding non-imposition of taxes, no condemnation by the City or transfer of City rights, which breach remains uncured for a period of 90 days after written notice from the Lessee specifying such failure and requesting that it be remedied; provided, however, that if the nature of the failure is such that more than 90 days are reasonably required for its cure, then the City shall not be deemed to be in default if the City commences such cure within such ninety 90 day period and thereafter diligently pursues such cure to completion; and provided further, however, that if the failure involves a hazardous condition, then the City shall immediately after written notice commence and with diligence thereafter to cure such failure. Except as otherwise provided above or elsewhere in the MHS Lease and the Integration Agreement, if the City fails to materially perform, comply with, or observe any other agreement or obligation of the City under the MHS Lease and/or the Integration Agreement and such failure continues for a period of more than 90 days after the Lessee has delivered to the City written notice thereof, the Lessee shall have the remedies set forth below with respect to an Event of Non-Major City Default; provided, however, that if the nature of the failure is such that more than 90 days are reasonably required for its cure, then the City shall not be deemed to be in default if the City commences such cure within such ninety (90) day period and thereafter diligently pursues such cure to completion.

Remedies

If there shall occur an Event of Major Lessee Default, the City shall have and may exercise all rights and remedies available to the City at law or in equity or under any statute or ordinance, including, following the applicable cure period and subject to final resolution of the dispute resolution process described below, terminating the MHS Lease upon written notice; provided, however, that prior to the

exercise by the City of any right of termination of the MHS Lease, the Lessee may, at any time, pay all accrued payments thereunder and fully cure all defaults relating to failure to pay, and in such event, the Lessee shall be fully reinstated to its position under the MHS Lease as if such event of default had never occurred. If there shall occur an Event of Non-Major Lessee Default, the City shall have and may exercise all rights and remedies available to the City at law or in equity or under any statute or ordinance (other than terminating the MHS Lease).

If there shall occur an Event of Major City Default, the Lessee shall have and may exercise all rights and remedies available to the Lessee at law or in equity or under any statute or ordinance, including, following the applicable cure period and subject to final resolution of the dispute resolution process described below, terminating the MHS Lease upon written notice; provided, however, that prior to the exercise by the Lessee of any right of termination of the MHS Lease, the City may, at any time, pay all accrued payments thereunder and fully cure all defaults relating to failure to pay, and in such event, the City shall be fully reinstated to its position under the MHS Lease as if such event of default had never occurred. If there shall occur an Event of Non-Major City Default, the Lessee shall have and may exercise all rights and remedies available to the Lessee at law or in equity or under any statute or ordinance (other than terminating the MHS Lease).

Dispute Resolution

If a Party believes there is a material dispute arising from or relating to the MHS Lease and the Parties are unable to resolve the dispute within 30 days, the dispute must be submitted for resolution by a committee comprised of two representatives selected by the City and two representatives selected by UCHealth. If such committee cannot devise a resolution mutually satisfactory to the parties within 30 days after being appointed, then either party has the right to submit the dispute to a court of competent jurisdiction, provided however, that any party who fails within one year after such committee is appointed to submit such dispute to a court of competent jurisdiction shall be deemed to have covenanted not to sue with respect to such dispute.

Surrender of Assets Upon Termination

Upon the expiration or termination of the MHS Lease for any reason, the Lessee shall, effective on the date of termination, and subject to the Lessee's receipt of the payment described below, take the following actions: (i) surrender or convey to the City the MHS Facilities and Expansions; (ii) transfer to the City all assets of the types of the Acquired Assets that are related to or associated with the MHS operations conducted by the Lessee immediately preceding such transfer, but only to the extent such assets are located in the MHS Facilities and Expansions, and all owned or leased personal and intangible property located in or directly part of the MHS Facilities and Expansions; and (iii) assign to the City all claims and liabilities of any kind arising from the MHS operations, the MHS Facilities and Expansions, prior to, on or after the effective date of termination, including any outstanding long-term indebtedness relating to such assets transferred, provided that, if the terms of any such outstanding long-term indebtedness prohibit the assumption thereof by the City in a manner acceptable to the Lessee, the Lessee shall not assign such long-term indebtedness at the time of expiration or termination of the Lease. As a condition to the transfer or conveyance from the Lessee to the City of the assets described in the preceding sentence, the City shall pay to the Lessee an amount representing the fair market value price (the "FMV Price") of the MHS operations as operating businesses at the time of such valuation taken as a whole and decreased by the amount of any long-term indebtedness assumed by the City. If the MHS Lease is terminated by a party acting in bad faith and in a manner specifically designed to cause such termination, then, if such "bad faith" Party is the City it will pay one hundred ten percent (110%) of the FMV Price; if such "bad faith" Party is the Lessee, it will accept ninety percent (90%) of the FMV Price as the amount due, in each case adjusted to reflect the amount of any long-term indebtedness assumed by

the City or retained by the Lessee, as applicable. The FMV Price may be paid pursuant to a reasonably secured note delivered by the City to the Lessee, requiring the City to repay to the Lessee in one balloon payment of interest and principal due on or before 36 months after the date thereof, with interest accruing on the unpaid portion at a rate equal to average interest of UC Health's most recent three borrowings.

Indemnification

The Lessee has indemnified the City, MHS and their agents for losses resulting from any false, misleading or inaccurate representations made by the Lessee in the MHS Lease, any breach of certain representations or warranties set forth therein or from any misrepresentation in or any omission from any certificate, list, schedule or other instrument furnished by the Lessee at closing in connection with the MHS Lease, or any Acquired Asset or Assumed Liability. The Lessee is responsible for and has indemnified the City for any claims, costs or damages relating to environmental liabilities that are Assumed Liabilities. The City has indemnified the Lessee, UCH-MHS, UCHealth and their affiliates and agents for losses resulting from any false, misleading or inaccurate representation by the City in the MHS Lease, any breach of certain representations or warranties set forth therein or from any misrepresentation in or any omission from any certificate, list, schedule or other instrument furnished by the City at closing in connection with the MHS Lease, or any Excluded Asset or Excluded Liability. The City is responsible for and has indemnified the Lessee, UCH-MHS, UCHealth and their affiliates for any claims, costs or damages arising from or relating to (i) the PERA Liability, and (ii) any tenant or landlord estoppels provided by the City pursuant to the terms of the MHS Lease. The maximum liability of the City with respect to its indemnification obligations will not exceed \$50 million and the maximum liability of the Lessee with respect to its indemnification obligations will not exceed \$30 million. Notwithstanding the foregoing, no liability cap applies to the Lessee's and the City's indemnity obligations with respect to Assumed Liabilities and Excluded Liabilities (including the PERA Liability), respectively.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by University of Colorado Health (“UCH”), as Obligated Group Agent on behalf of the Obligated Group (defined below), and Wells Fargo Bank, National Association, in its capacity as dissemination agent hereunder (the “Dissemination Agent”), in connection with the issuance by the University of Colorado Hospital Authority (the “Authority”) of its Refunding Revenue Bonds, Series 2018B, in the original principal amount of \$76,170,000 (the “Series 2018B Bonds”) and its Refunding Revenue Bonds, Series 2018C, in the original principal amount of \$75,265,000 (the “Series 2018C Bonds”). The Series 2018B Bonds and the Series 2018C Bonds are referred to herein collectively as the “Bonds.” The Series 2018B Bonds will be issued pursuant to a Bond Indenture of Trust, dated as of July 1, 2018, relating to the Series 2018B Bonds (the “2018B Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee thereunder (in such capacity, the “2018B Bond Trustee”), and the Series 2018C Bonds will be issued pursuant to a Bond Indenture of Trust, dated as of July 1, 2018, relating to the Series 2018C Bonds (the “2018C Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee thereunder (in such capacity, the “2018C Bond Trustee”). The 2018B Bond Indenture and the 2018C Bond Indenture are referred to herein collectively as the “Bond Indentures.”

The Series 2018B Bonds are secured by Master Note Obligation, Series 2018-39B-1 (the “2018B Master Note Obligation”), issued to the 2018B Bond Trustee pursuant to the Master Trust Indenture, dated as of November 1, 1997 (as supplemented and amended, the “Master Indenture”), among the Authority, Poudre Valley Health Care, Inc., Medical Center of the Rockies, UCH, as Obligated Group Agent on behalf of the Obligated Group, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center and Poudre Valley Medical Group, LLC (each, an “Obligated Group Member” and collectively, the “Obligated Group”) and Wells Fargo Bank, National Association, as master trustee (in such capacity, the “Master Trustee”), as supplemented by Supplemental Master Indenture No. 39B-1, dated as of July 1, 2018, between UCH, as Obligated Group Agent on behalf of the Obligated Group, and the Master Trustee. The Series 2018C Bonds are secured by Master Note Obligation, Series 2018-39C-1 (the “2018C Master Note Obligation”), issued to the 2018C Bond Trustee pursuant to the Master Trust Indenture as supplemented by Supplemental Master Indenture No. 39C-1, dated as of July 1, 2018, between the UCH, as Obligated Group Agent on behalf of the Obligated Group, and the Master Trustee.

The Dissemination Agent and UCH, on its own behalf and on behalf of the Obligated Group, hereby covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by UCH, as Obligated Group Agent on behalf of the Obligated Group, and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Securities and Exchange Commission (“SEC”) Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indentures, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by UCH pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean Wells Fargo Bank, National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by UCH.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports or notices pursuant to the Rule.

“Participating Underwriter” shall mean, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual and Quarterly Reports.

(a) UCH shall or, upon delivery to the Dissemination Agent pursuant to paragraph (b) below, the Dissemination Agent shall, not later one hundred fifty (150) days after the end of the Obligated Group’s fiscal year (which fiscal year currently ends on June 30 of each calendar year), commencing with the report for the fiscal year ending June 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Obligated Group (which may be presented in consolidated financial statements of a larger group of affiliated corporations) may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the fiscal year of any Obligated Group Member changes, UCH shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, UCH shall provide the Annual Report to the Dissemination Agent. UCH shall provide a written certification with the Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by UCH hereunder. The Dissemination Agent may conclusively rely upon such certification of UCH. If by fifteen (15) days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact UCH to notify UCH of the requirements of subsection (a) and this subsection (b).

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), UCH shall, or shall cause the Dissemination Agent to, provide to the MSRB, not later than 60 days after the end of each fiscal quarter of the Obligated Group’s fiscal year, beginning with the fiscal quarter ending September 30, 2018, unaudited financial information for the Obligated Group for such fiscal quarter including a balance sheet, a cash flow statement and a consolidated statement of operations.

(d) In addition to the Annual Report required to be filed pursuant to subsection (a) and the quarterly report required to be filed pursuant to subsection (c), so long as any Bonds are bearing interest at a Weekly Interest Rate and no Liquidity Facility is then in effect, UCH shall, or shall cause the Dissemination Agent to, provide to the MSRB, not later than 45 days after the end of each fiscal quarter of the Obligated Group's fiscal year, beginning with the fiscal quarter ending September 30, 2018, a liquidity report containing information with respect to the Obligated Group in substantially the form attached as **Exhibit B** hereto.

(e) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as **Exhibit A**.

(f) The Dissemination Agent shall determine within five (5) Business Days of the date for providing the Annual Report and any quarterly report required hereunder, if one or more entities other than the MSRB have been designated by the SEC to receive reports or notices pursuant to the Rule, and the name, address and method of filing of the Annual Report and any quarterly report applicable to each such entity.

(g) Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB.

SECTION 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Obligated Group (which may consist of unaudited consolidated, consolidating or combining financial statements for the Obligated Group attached as supplemental information to the audited consolidated financial statements for a larger group of affiliated organizations) for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States of America. If the Obligated Group's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, dated July 18, 2018 (the "Official Statement"), relating to the Bonds and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available;

(b) Unless contained in the audited financial statements provided in the paragraph above, an update to the following information contained in Appendix A to the Official Statement relating to the Bonds:

(i) A list of the Obligated Group Members;

(ii) A list of the major health facilities owned or operated by the Obligated Group Members, including the number of licensed beds of the Obligated Group Members;

(iii) Summary utilization data for the most recently completed fiscal year;

(iv) A summary showing the historical debt service coverage for the most recently completed fiscal year calculated in accordance with the Master Indenture;

(v) The calculation of the historical indebtedness ratio for the most recently completed fiscal year;

- (vi) A summary of the liquidity position, including information concerning outstanding liquidity facilities;
- (vii) A summary of outstanding indebtedness;
- (viii) A summary of investment programs, including investment returns;
- (ix) A summary of sources of gross patient revenues for the most recently completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which any Obligated Group Member is an “obligated person” (as defined by the Rule), which are available to the public on the MSRB’s website. UCH shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) UCH shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent shall give, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. nonpayment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of bondholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership, or similar event of an obligated person (as defined in the Rule);

Note: for the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under

state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

13. the consummation of a merger, consolidation or acquisition involving an obligated person (as defined in the Rule) or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. the appointment of a successor or additional trustee, or the change in the name of a trustee, if material.

(b) UCH shall file, or instruct the Dissemination Agent to file, with a copy to UCH, notice of the occurrence of a Listed Event with the MSRB in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of 10 Business Days after the occurrence of such Listed Event. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

SECTION 6. MSRB; EMMA. Documents submitted to the MSRB, including EMMA, pursuant to this Disclosure Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB, in accordance with the Rule.

SECTION 7. Termination of Reporting Obligation. UCH's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, UCH shall, or instruct the Dissemination Agent to, file notice with the MSRB of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. UCH may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to UCH.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, UCH and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by UCH, provided that the Dissemination Agent shall be not be obligated to enter into any amendment increasing or affecting its duties or obligations) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5, 9(a), 9(b) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) or 9(c) (excluding the requirement that the related determination be set forth in an opinion of nationally recognized bond counsel) it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity,

nature or status of an “obligated person” (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Indentures for amendments to such Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, UCH shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by UCH as Obligated Group Agent on behalf of the Obligated Group. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent UCH or any Obligated Group Member from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, quarterly report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If UCH chooses to include any information in any Annual Report or quarterly report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, UCH shall have no obligation under this Agreement to update such information or include it in any future Annual Report or quarterly report or notice of occurrence of a Listed Event.

SECTION 11. Default. UCH acknowledges and agrees that this Disclosure Agreement is for the benefit of the Holders and Beneficial Owners of the Bonds and in the event of a failure of UCH or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause UCH or the Dissemination Agent, as the case may be, to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Bond Indentures or Master Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of UCH or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall any violation of this Disclosure Agreement, by itself, constitute a violation of any other laws, including other applicable securities laws.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and UCH agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and

expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by UCH for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and UCH from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by UCH or any Obligated Group Member or hereunder and shall not be deemed to be acting in any fiduciary capacity for UCH, any Obligated Group Member, the Holders, Beneficial Owners or any other party. The obligations of UCH under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To UCH or the Obligated Group:

University of Colorado Health
12401 East 17th Avenue, Suite 1010
Aurora, Colorado 80045
Attention: President and CEO with a copy to Chief Financial Officer
Telephone: (720) 848-7816
Fax: (720) 848-5542

To the Dissemination Agent:

Wells Fargo Bank, National Association
1740 Broadway, MAC #C7300-107
Denver, Colorado 80274
Attention: Corporate Trust and Escrow Services
MAC #C7300-107
Telephone: (303) 863-4884
Fax: (303) 863-5645

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligated Group Members, the Dissemination Agent, the Participating Underwriter, Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other Person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: July 26, 2018

UNIVERSITY OF COLORADO HEALTH, as
Obligated Group Agent on behalf of the Obligated Group

By: _____
Authorized Representative

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**, as Dissemination Agent

By: _____
Authorized Signatory

EXHIBIT A

FORM OF NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: University of Colorado Hospital Authority

Name of Issue: University of Colorado Hospital Authority Refunding Revenue Bonds, Series 2018B and Series 2018C (collectively, the "Bonds")

Name of Obligated Group Agent University of Colorado Health ("UCH")

Date of Issuance: July 26, 2018

NOTICE IS HEREBY GIVEN that UCH has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated July 26, 2018 with respect to the Bonds. UCH anticipates that the Annual Report will be filed by _____.

Dated: _____

_____,
as Dissemination Agent, on behalf of UCH

By: _____
Authorized Signatory

cc: University of Colorado Hospital Authority

EXHIBIT B
FORM OF LIQUIDITY REPORT

**University of Colorado Health
Liquidity Report
(000's)**

**Unaudited
[Applicable Fiscal
Quarter]**

ASSETS

Daily Liquidity

Money Market Funds (SEC 2a-7 compliant and Aaa-rated by Moody's)

\$

Checking and deposit accounts at P-1 rated bank

US Treasuries & Agencies with less than 3-year maturity

US Treasuries & Agencies with greater than 3-year maturity

Other invested cash

Subtotal Daily Liquidity

\$

Weekly Liquidity

Fixed Income

\$

Equities

Other holdings with weekly liquidity

Subtotal Weekly Liquidity

\$

Monthly Liquidity

Total Daily, Weekly, and Monthly Liquidity

\$

Longer Term Liquidity

\$

Total Sources of Liquidity

\$

**DEBT SUBJECT TO TENDERS WITHIN TWELVE MONTHS AND
WITH ONE WEEK OF NOTICE**

Variable Rate Demand Bonds with Self-Liquidity Within Twelve Months

\$

Variable Rate Demand Bonds with Self-Liquidity with One Week of Notice

\$

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APPENDIX G
FORM OF BOND COUNSEL OPINION

July 26, 2018

University of Colorado Hospital Authority
Aurora, Colorado

Wells Fargo Bank, National Association,
as Bond Trustee
Denver, Colorado

Citigroup Global Markets Inc.
Los Angeles, California

TD Bank, N.A.
Wilmington, Delaware

\$76,170,000
University of Colorado Hospital Authority
Refunding Revenue Bonds
Series 2018B

\$75,265,000
University of Colorado Hospital Authority
Refunding Revenue Bonds
Series 2018C

Ladies and Gentlemen:

We have acted as Bond Counsel to the University of Colorado Hospital Authority (the “Authority”) in connection with the issuance by the Authority of its Refunding Revenue Bonds, Series 2018B (the “Series 2018B Bonds”) in the aggregate principal amount of \$76,170,000 and its Refunding Revenue Bonds, Series 2018C in the aggregate principal amount of \$75,265,000 (the “Series 2018C Bonds” and, together with the Series 2018B Bonds, the “Bonds”).

The Series 2018B Bonds are being issued pursuant to a Bond Indenture of Trust, dated as of July 1, 2018 (the “Series 2018B Bond Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as bond trustee. The Series 2018C Bonds are being issued pursuant to a Bond Indenture of Trust, dated as of July 1, 2018 (the “Series 2018C Bond Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as bond trustee. The Series 2018B Bonds and the Series 2018C Bonds are dated, mature on the dates and in the principal amounts, bear interest at the rates and are payable as provided in the Series 2018B Bond Indenture and the Series 2018C Bond Indenture, respectively. The Series 2018B Bonds and the Series 2018C Bonds are subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity in the manner and upon the terms set forth therein and in the Series 2018B Bond Indenture and the Series

2018C Bond Indenture, respectively. Capitalized terms used but not defined herein shall have the meanings set forth in the respective Series 2018B Bond Indenture and Series 2018C Bond Indenture. The Series 2018B Bond Indenture and the Series 2018C Bond Indenture are collectively referred to herein as the “Bond Indentures.”

The Bonds are issued pursuant to Section 23-21-501, *et seq.*, Colorado Revised Statutes, as amended (the “Act”), the Supplemental Public Securities Act, constituting Title 11, Article 57, Part 2 of the Colorado Revised Statutes, as amended (the “Supplemental Act”), and a resolution of the Board of Directors of the Authority effective as of July 1, 2018 (the “Bond Resolution”).

The Bonds, together with the Authority’s Refunding Revenue Bonds, Series 2018A (the “Series 2018A Bonds”) issued on the date hereof, are being issued to provide funds, together with other available moneys of the Authority, to current refund the outstanding principal amounts of the Colorado Health Facilities Authority Hospital Revenue Bonds (Poudre Valley Health Care, Inc. and Medical Center of the Rockies) Series 2005A, Series 2005B and Series 2005C and to pay the costs of issuing the Bonds and the Series 2018A Bonds.

The Bonds are limited obligations of the Authority payable solely from and secured by the Trust Estate under the respective Bond Indenture. The Series 2018B Bonds are secured solely under the Series 2018B Bond Indenture, and the Series 2018C Bonds are secured solely under the Series 2018C Bond Indenture. For each Bond Indenture, the Trust Estate includes, but is not limited to, the following: (a) a pledge of the Funds, other than the Rebate Fund, created under the Bond Indenture; and (b) all right, title and interest of the Authority in University of Colorado Health Obligated Group Master Note Obligation, Series 2018-39B-1 (in the case of the Series 2018B Bond Indenture) and in University of Colorado Health Obligated Group Master Note Obligation, Series 2018-39C-1 (in the case of the Series 2018C Bond Indenture), in the principal amount of \$76,170,000 and \$75,265,000, respectively. Each such Obligation is issued pursuant to the Master Trust Indenture, dated as of November 1, 1997, by and between the Authority and Wells Fargo Bank, National Association, as successor master trustee (the “Master Trustee”), as amended and supplemented (the “Master Indenture”), including as supplemented by Supplemental Master Indenture No. 39B-1, dated as of July 1, 2018, by and between UCHealth, as Obligated Group Agent, on behalf of itself and the Obligated Group (comprised of UCHealth, the Authority, Poudre Valley Health Care, Inc., Medical Center of the Rockies, UCH-MHS, Longs Peak Hospital, Yampa Valley Medical Center and Poudre Valley Medical Group, LLC, as of the date hereof) and the Master Trustee, and Supplemental Master Indenture No. 39C-1, dated as of July 1, 2018, by and between UCHealth, as Obligated Group Agent, on behalf of itself and the Obligated Group, and the Master Trustee.

We have examined such laws and such certified proceedings and other instruments as we deemed necessary to render this opinion, including, without limitation, the Act; the Supplemental Act; the Series 2018B Bond Indenture; the Series 2018C Bond Indenture, the Master Indenture; the Tax Regulatory Agreement, dated July 26, 2018 (the “Tax Regulatory Agreement”), of the Authority and UCHealth, as Obligated Group Agent, on behalf of itself and the Obligated Group, executed in connection with the issuance of the Bonds and the Series 2018A Bonds; a certified transcript of the record of proceedings of the Authority taken preliminary to and in the authorization of the Bonds; a certified transcript of the record of proceedings of UCHealth taken preliminary to and in connection with the issuance of the Bonds by the Authority; and certificates of the Authority, UCHealth and the bond trustee under each of the Bond Indentures and others delivered in connection with the issuance of the Bonds. In rendering the opinions stated herein, we have relied upon the opinions, dated the date hereof, of the Chief Legal Officer of UCHealth with respect to the status of each Member of the Obligated Group (other than the Authority) as an organization described in Section 501(c)(3) of the Code, as hereinafter defined. As to questions of fact material to our opinion, we have relied upon representations of the Authority, UCHealth and others

contained in such certified proceedings, certifications and other instruments without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof.

Based upon such examination and, for purposes of paragraph 5 below, assuming continuous compliance with the covenants and representations contained in such proceedings and other documents, it is our opinion as Bond Counsel as of the date hereof that:

1. The Authority has been duly created and is a body corporate and a political subdivision of the State of Colorado, validly organized and existing under the laws of the State of Colorado, and has power and authority to issue the Bonds and carry out and consummate all transactions contemplated by the Bond Indentures.

2. The Bond Resolution has been duly adopted by the Board of Directors of the Authority and is in full force and effect.

3. The Bonds have been duly authorized and validly issued by the Authority, have been duly executed by authorized officers of the Authority and constitute the legal, valid and binding obligations of the Authority, payable solely from the Trust Estate pledged therefor under the Series 2018B Bond Indenture with respect to the Series 2018B Bonds and the Series 2018C Bond Indenture with respect to the Series 2018C Bonds, and the Bonds are enforceable in accordance with their terms and are entitled to the benefit and security of the respective Bond Indenture, except as may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by the availability of equitable remedies.

4. The Bond Indentures have been duly authorized by the Authority, have been duly executed and delivered by authorized officers of the Authority and constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by the availability of equitable remedies. The Series 2018B Bond Indenture and the Series 2018C Bond Indenture each create a valid pledge of the Trust Estate established under each such instrument, securing the Series 2018B Bonds and the Series 2018C Bonds, respectively.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume the accuracy of certain representations and compliance by the Members of the Obligated Group with covenants in the Tax Regulatory Agreement designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. The Members of the Obligated Group have covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. We note, however, that interest on the Bonds, for taxable years beginning before January 1, 2018, will be included in adjusted current earnings of certain corporations, and such corporations are

required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

We are also of the opinion that under existing laws of the State of Colorado, the Bonds, and the income therefrom, are free from taxation by the State of Colorado. We offer no opinion as to any other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Certain future events pursuant to the terms of the respective Bond Indentures can result in a change in the interest rate on the Series 2018B Bonds and the Series 2018C Bonds. No opinion is expressed at this time with respect to the exclusion from gross income for federal income tax purposes of interest on the Bonds, or with respect to any other tax matters, upon the conversion of such Bonds from a Weekly Interest Rate (as defined in the Bond Indentures) to any other interest rate, as such opinion must be rendered in connection with such conversion and may be dependent upon the occurrence of certain events in the future.

As Bond Counsel, we are passing only upon those matters set forth in this opinion and are not passing upon the accuracy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds or upon any federal, state or local tax consequences arising with respect to the Bonds except as specifically addressed in the first two paragraphs under number 5 above.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

APPENDIX H

CERTAIN INFORMATION CONCERNING THE BANK

TD Bank, N.A. (the “Bank”) is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank (“TD”) and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer and trust services and indirect automobile dealer financing. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of March 31, 2018, the Bank had consolidated assets of \$294.8 billion, consolidated deposits of \$251.6 billion and stockholder’s equity of \$37.2 billion, based on regulatory accounting principles.

Additional information regarding the foregoing, and the Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the “SEC”), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

Each of the Initial Liquidity Facilities issued by the Bank is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed:

to Bank:	TD Bank, N.A.
	1701 Route 70 East
	Cherry Hill, NJ 08034
	Attention: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD’s financial statements are prepared in accordance with International Financial Reporting Standards, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this Appendix H is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN THE BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE INITIAL LIQUIDITY FACILITIES.

The Bank is responsible only for the information contained in this section of the Official Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Official Statement. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Official Statement.

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uchealth



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